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Report of the

Auditor General of Prince Edward Island

To the Legislative Assembly

1984

OFFICE OF THE AUDITOR GENERAL

PROVINCE OF PRINCE EDWARD ISLAND

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

In accordance with the requirements of the Audit Act, I have the honour of presenting my annual report to the 1984 Session of the Legislative Assembly.

Respectfully Submitted,

T. Kaptein, C.A.
Auditor General

Charlottetown
Prince Edward Island
February 28, 1984

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GENERAL INTRODUCTION

The reader will note that this report is dated 1984. In previous years I have dated my report with the fiscal year to which my financial audits pertain. However, the bulk of this report especially those sections reporting on comprehensive audits deal with very current issues. I have chosen to change the dating of my report to avoid any implication that it deals with outdated material.

I have also given special attention this year to the readability of the report. Style is no substitute for substance; and it is the content of the report which is important. However, I hope that the changes in its organization, spacing and type-style make the report more readable and easier to understand. I will welcome all constructive comments from the Public Accounts Committee and other interested parties.

MATTERS OF GENERAL INTEREST

1. PLANNING

1.1 Planning, Budgeting and Management Information Systems are essential pre-requisites for any large and complex organization. The requirements are no different for a province and I deemed it of interest to provide an overview of these functions.

1.2 Planning is the essence of good management and a necessary aspect of all well managed organizations. In the private sector, it is the single most powerful tool, to increase profits and in the public sector to improve value for money. Effective planning provides the basis for accountability by establishing a clear understanding of directions, goals and expectations as well as a yardstick for measuring results. It requires foresight and organization. It is not a simple or informal exercise but a process that can pay big dividends.

1.3 Every manager realizes and will readily acknowledge the significance of planning. What is not well understood or acknowledged is the importance of structure and process within the planning function of large organizations. Managers much prefer the flexibility which informal approaches afford especially when they themselves receive little direction and are not clear about their own objectives.

1.4 Most of the comprehensive audits I have conducted indicate that planning is mostly unstructured and informal. While I, of course, recognize that informal and pragmatic planning can be an important asset in an organization, it is no substitute for a formal planning function. Too often, the only documentation consists of a number of studies and position papers which may or may not be meaningful in the process. Frequently, they are neither dated, nor signed. The final output, a written plan is often missing.

1.5 The breadth or scope and the range or time period for which planning is done differs. The scope of planning which Executive Council is responsible for is much wider than the planning scope for a single department. Necessarily a one year operational plan must be more detailed and specific than a five or ten year strategic plan even though both plans are linked to the same overall objectives.

1.6 In order to provide structure and process to the planning function in my opinion government must first recognize the need for:

- A written plan which deals with long term strategy consistent with government plans, policies and priorities, for every department and agency. This plan must be developed in each department, reviewed annually and endorsed by Cabinet.

- A written operational plan for each year for each department and agency which sets out what program results are to be achieved in support of the department's objectives, what activities are necessary to achieve those results, how performance will be monitored and measured, what resources are required to carry out the plans and who is responsible for implementation.

- Coordination at the Cabinet level to ensure that departmental plans comply with general government policies and priorities and to ensure that departmental plans complement one another.

1.7 **The end product of the planning process in all Departments should be a concrete plan in writing to ensure a common understanding and to firmly establish accountability. The final plan should be endorsed and signed by appropriate authorities.**

STRATEGIC PLANNING

1.8 A strategic plan is a realistic, broad plan of action for dealing with the major emerging issues, opportunities or identified performance needs of the Department. Usually each statement would include:

- New or reaffirmed goals or objectives

- Broadly described policies or programs required to achieve them

- Identification of factors that are critical to success

- A general sense of priority to guide subsequent planning and

- A method for monitoring results and maintaining direction

1.9 The time period or term covered by a strategic plan is largely determined by the nature of the activities. Although five years is often considered to be the limit, the planning period should be longer in other instances. For example, the planning horizon for highways could be fifteen years, the design life of new pavement. For Education, the planning horizon might be twelve years, the normal period of contact with any one student. Other needs such as schools and senior citizens housing can be foreseen well in advance on the basis of demographics.

1.10 Ours is a dynamic society. Because of this, strategic planning tends to be avoided as a pointless exercise. Yet, the value of long term planning has been proven by the five year Forestry rehabilitation program that largely because of a good planning process, has received substantial federal support. The fact that our society is dynamic does affect strategic planning, but only in the sense that it is necessary to review the plans annually and either reaffirm or revise them to reflect changes that have occured since the last review.

OPERATIONAL PLANNING

1.11 An operational plan is the action plan for the year, that for each program and for each department as a whole describes in detail the expected achievements, activities, resource requirements, performance standards and responsibilities.

1.12 The operational plan takes its direction from the strategic plan. Initially, it must provide Cabinet or Treasury Board with viable alternatives. But once priorities have been set and have been narrowed down and funds have been allocated, the final and detailed operational plan can be prepared.

1.13 The operational plan can be viewed as a one year contract between Cabinet and the Department, whereby both sides will know what should be delivered in return for the resources made available. In other words it will be the basis for departmental accountability to Cabinet and to the Legislative Assembly. It also will be the basis for accountability of departmental staff to management and provide a potential for management by exception.

1.14 There should be a negotiation and approval process for operational plans at each level of management. As the plans are aggregated, changes may result from this negotiation and approval process at each progressive level. Because of this, the final approved operational plans should be clearly communicated to all levels of the organization.

1.15 Properly communicated, the operational plan will provide clear directions to staff at all levels about management expectations and the standards by which their performance will be measured.

2. BUDGETING

INTRODUCTION

2.1 Budgeting is a formal quantification showing the financial impact of planning.

2.2 In the previous section of the report that deals with planning I have drawn a clear distinction between strategic or long term planning and operational or short term planning. A similar distinction must be drawn in the budgeting process.

LONG TERM BUDGETING

2.3 There is a need for management of the long term debt in a manner that will not place too heavy a burden for interest and redemption payments on future generations. In the section on planning I emphasized the desirability of long term planning. Long term budgeting is an effective instrument in coordinating the two.

2.4 Because of the complexity of government and the frequent changes occurring in today's dynamic society the long term approach to budgeting is often thought to belong to the realm of the impossible. Yet, even if it were only an intellectual endeavour it would still be worthwhile because it would provide the restraint necessary to curb the ever growing debt. Long term budgeting would force a disciplined approach, keep long term goals in proper perspective and provide the means for rational trade-off decisions between the desireable and the affordable.

2.5 The long term budgetary impact of new legislation should be carefully studied and quantified and the interaction between programs in different departments should be defined and coordinated to provide greater efficiency.

2.6 Government wide long term budgeting would provide an opportunity to coordinate and time departmental plans for greater efficiency. Following are two examples where this failed to occur:

- The coordination between waste from thinning and clearing a major output of the Forestry Program and the use of this material for alternative energy purposes.

- The introduction of the Child Welfare Act and others which have had a major impact on the court system.

2.7 Other advantages of a long term budgeting process are:

- It would increase the potential for coping more effectively with expenditures that are counter cyclical in nature, i.e. the biblical wisdom of setting something aside in years of abundance for use in the lean years could be applied.

- It would provide a vehicle for planning of capital expenditures on a cyclical basis that would provide construction employment when it is most needed.

- It would reduce the temptation to create "infra-structures" without sufficiently considering the permanent and high operating costs for the future, simply because of their high visibility and the appearance that "something is being done".

- It would require each program to be assessed in terms of its future impact. For example, some programs may take several years of development before any benefits can be expected and early cancellation would result in the wasting of sunk expenditures. Long term budgeting would link long term results to long term commitment.

2.8 A move towards long term budgeting was made in 1982 when Treasury Board committed itself to maintaining a five year capital projects master plan. Although this has not been implemented yet, at least it represents a recognition in principle of the value of long term budgeting.

2.9 In the private sector most large businesses recognize the important contribution of long term planning and budgeting to the bottom line by creating corporate planning divisions that prepare long term plans and define the financial requirements to implement them.

2.10 Although government has a different bottom line, i.e. value for money, it is no less big business and it should recognize the advantages of long term planning and budgeting in a similar fashion as in the private sector.

2.11 **I recommend that Treasury Board commence a comprehensive long term budgeting program based on well defined government wide and departmental strategic planning processes, with a view towards attaining best value for money and at the same time providing stronger control over the debt position of the Province.**

ANNUAL BUDGET

2.12 Operational planning and budgeting are also closely connected. In brief, the budget is the operational plan expressed in dollars.

2.13 Operational budgeting is that part of the planning process which assigns financial resources to organizational units so they can carry out their operational plans and schedule the use of resources and the results to be achieved.

2.14 Too often in government, operational plans are missing when the estimates are due with the result that unimaginative "status quo" budgets adjusted for inflation are presented. Inefficiencies are perpetuated because it is inconvenient to correct them and if plans are worked out they are prepared later to fit the allocation.

2.15 Across the board cuts and/or global budgeting have often been applied since the mid 70's. They are intended to force managers to become more efficient. They could well achieve the opposite if cuts are made without a consideration of operational plans. Improved efficiency can only be achieved by budgeting based on good planning processes, both long and short term.

2.16 I recommend that Treasury Board acknowledge the linkage between appropriate planning processes and the budgeting process and proceed to define and implement these processes across government.

3. MANAGEMENT INFORMATION SYSTEMS

3.1 Planning and budgeting are two of the cornerstones for performance. If these two processes are firmly in place then a solid foundation for success has been laid. But control and evaluation are necessary to ensure that what should happen is happening.

3.2 In smaller departments, a manager can often keep himself well informed on an informal basis. In larger departments it is almost impossible for a manager to keep himself systematically informed, without a well defined and formal reporting process.

3.3 My audits indicate that all departments have at least some informal reporting system. These systems are often based only on verbal communications and because clear descriptions of expected performance are frequently lacking, the natural tendency in the process of verbal reporting is to tailor the anticipated performance to the actual performance achieved in the normal course of the overall report.

3.4 In larger departments a manager needs regular written reports generated by a management information system that is based on objective data and is tailored to highlight performance that does not comply with established plans.

3.5 A management information system provides a potential for variance analyses that will highlight differences between actual and scheduled performance and give the manager timely information on where his attention is needed.

3.6 A management information system must have built-in flexibility to allow more frequent reporting where special emphasis is warranted.

3.7 Management information systems do not necessarily need to be complex or computerized but must be accurate, timely and relevant if they are to fulfill the control and evaluation function.

4. ACCOUNTABILITY AND PLANNING COMMITTEE

4.1 I have discussed the importance of planning, budgeting, control and evaluation to the management process and to establishing an acceptable level of accountability. Two years ago in my annual report to the Legislative Assembly, I indicated that clearly assigned responsibilities, well defined and documented objectives and attainable performance standards were also central to accountability. In that report I also mentioned that the Premier had advised me that Cabinet intended to create a committee to deal with these management processes on a government-wide basis. This action indicated that government intends to take the concept of accountability seriously and wishes to be seen to do so. I considered this to be a very important step in the right direction.

4.2 Last year I reported that "the Policy and Priorities Board has been abolished and Cabinet and its subcommittees have assumed its functions, an approach that can only be effective if departmental management processes are substantially improved. This has lent added emphasis to the importance of the Committee."

4.3 Two years have now passed since the Premier's laudable statement of intent was made and the Committee has not even defined its objectives. The practical implementation of management processes, especially those which result in greater accountability is not an easy task. Part of the problem is that most members are heavily involved in their day to day duties and cannot devote sufficient time to the work of the Committee.

4.4 **With this in mind, I recommend that the Committee be authorized to engage qualified consultants to assist it in this most important endeavour.**

5. 1984 RECOMMENDATIONS TO TREASURY BOARD

(Consider in the context of applicable sections)

Section 2-11 Comprehensive Long Term Budgeting Program

I recommend that Treasury Board commence a comprehensive long term budgeting program based on well defined government wide and departmental strategic planning processes, with a view towards attaining best value for money and at the same time providing stronger control over the debt position of the Province.

Section 2-16: Annual Budgetary Processes

I recommend that Treasury Board acknowledge the linkage between appropriate planning processes and the budgeting process and proceed to define and implement these processes across government.

6. OFFICE OF THE AUDITOR GENERAL

6.1 In the past year I have continued to increase my emphasis on Comprehensive Auditing. When I first received my expanded mandate I set a target of five years for completing the first cycle of comprehensive audits on all Government Departments and Crown Corporations. At that time I estimated a requirement for eight new positions. Since that time, through increased efficiency in conducting financial audits and continuing experience and improved methodology in comprehensive auditing, I have been able to scale down this need to four positions only one of which still needs to be filled.

6.2 This year, all responsibility for the certification of claims under the various federal/provincial cost sharing agreements was transferred from my office to the Office of the Comptroller. One of my senior auditors who specializes in this area is now working under the direction of the Comptroller. I have not replaced this auditor.

6.3 This year I was asked and have agreed to take on the financial audit of the Hospital Services Commission. In previous years, I have audited the Health Services Commission only. The two Commissions have a combined administration and it makes sense to have one financial auditor for both entities. Because my services are not charged out, the transfer of audit responsibilities from a private firm to my office represents a budget reduction for the Commission.

6.4 Three students in my office wrote and passed the 1983 uniform final examinations for admission to the Canadian Institute of Chartered Accountants. The national pass rate in these difficult examinations is only 51.3%. One of the graduates from my office attained the highest marks in the Province.

7. SCOPE AND ACKNOWLEDGEMENTS

7.1 This year, I have achieved a desirable balance between the financial and operational mandates of my office. A number of comprehensive audits have been completed along with the traditional financial audits for which I am responsible.

7.2 In addition to my regular audit responsibilities, this year I have responded to major requests for audit work from the Legislative Audit Committee and from Executive Council. While I was able to work the request from the Legislative Audit Committee into my regular audit planning, the request from Executive Council required considerable senior input and caused some disruption in my regular work schedules.

7.3 In both my financial and comprehensive audits, I have received good co-operation from the various Ministers, Deputy Ministers, Heads of Crown Corporations and the many other government officials I have come in contact with. Also, I wish to acknowledge the assistance provided by the Legislative Audit Committee in the administration of my office. Finally I wish to thank my staff for their continued support in achieving the goals of this office.

8. INTERPRETATION OF THE REPORT

8.1 Many of my audit findings are accompanied by recommendations for improvement. Although I expect that due consideration will be given to the underlying problems, the recommendations are in no way intended to infringe on the management rights or duties of any government official. They are merely intended to provide one possible course of action which may eliminate a weakness in control of an inefficiency. I feel that generally, my recommendations are being received in this positive light.

REPORTS ON COMPREHENSIVE AUDITS

9. IN MEMORIAM - J. J. MACDONNELL, F.C.A.

9.1 On March 22, 1983 J. J. MacDonnell, F.C.A., a great Canadian and a former Auditor General of Canada, passed away suddenly in the early years of a retirement that was as action filled as his regular working life.

9.2 It was not long after his appointment as Auditor General of Canada that he perceived a need for much closer scrutiny of government expenditures and for returning control to Parliament. With this in mind, he created the concept of comprehensive auditing, a novel approach to the audit of management techniques in complex environments.

9.3 With his tremendous powers of persuasion he convinced Parliament to pass a new Audit Act in 1977, that provided his Office with the authority and resources to conduct in depth audits of government wide processes and departmental operations. He also was successful in convincing many senior partners of National Accounting and Management Consulting firms to join him in the difficult task of developing new techniques and procedures.

9.4 The value of his work and the importance of his achievements are recognized world wide.

9.5 As a colleague I held him in high esteem and as a friend I will always treasure my memory of him.

10. INTRODUCTION TO COMPREHENSIVE AUDITS

10.1 Section 13(2) of the Audit Act establishes my mandate for comprehensive audits of departments and agencies of the Crown.

10.2 Comprehensive auditing is a broadly based auditing approach aimed at systematically reviewing and reporting on accountability relationships and on the supporting activities, systems and controls employed by management in fulfilling its responsibilities. The purpose of the audits is to ensure that objectives have been met and that the funds spent have provided value for money.

10.3 In contrast to financial auditing, no generally accepted standards have been developed as yet for comprehensive auditing. Instead, the Auditor has to rely mostly on his professional experience and judgement, supplemented where possible and subject to the availability of funds, by expert assistance in areas outside the auditors competence. The audits at this stage primarily cover accountability, management processes and controls.

10.4 Section 16 of the Audit Act does not specify particular reporting requirements, but Subsection (d) requires me to call attention to any matters I consider necessary to be brought to the attention of the Legislative Assembly. Accordingly, I submit the results of my audits completed in 1983/84 since my last Annual Report in the sections following this introduction.

11. PROGRESS - COMPREHENSIVE AUDITING

11.1 In 1981 Section 13(2) of the Audit Act authorized an expanded mandate "to determine whether any agency of government is achieving its purposes and is doing so economically and efficiently." My Office has since redirected more and more of its resources to conducting value for money or comprehensive audits.

11.2 Because of the size and complexity of government it is not feasible to conduct audits of all departments and agencies of the Crown each year, nor is it necessary. I therefore adopted a five year cycle during which I intend to conduct a comprehensive audit of each department and agency. This year I completed three major audits, the Department of Transportation and Public Works, the Department of Education,and Pension Fund Management. Several other major audits are in progress or nearing completion.

11.3 My initial efforts have been mainly directed at the basic management processes in departments and agencies, rather than at specific programs. The justification for this approach is that a good understanding of the operational environment is needed in order to perform audits of individual programs that are fair to those accountable for results. Also, my results to date have shown that the basic management processes are for the most part not in place.

11.4 After a slow start in mid-1981 caused by a lack of resources and limited experience in the new techniques and procedures demanded by the comprehensive audit concept, the approach has continuously gained momentum. It has now become an integral and substantial part of my overall audit activities and I am reasonably confident that I will succeed in meeting my self imposed goal of full coverage within the first five year cycle.

11.5 Generally, comprehensive auditing has been a rewarding experience. As a result of my audits many potentials for improvements in management and substantial savings have been identified. I am of course at times accused of having the benefit of hindsight. I would like to emphasize that this argument is too often used as an excuse for poor performance. I feel that most of the time the "auditor's hindsight" should have been the "manager's foresight" to begin with.

11.6 Several problems common to many government operations are beginning to surface. Most notable are problems in planning, budgeting and management information systems, topics I considered of sufficient importance to deal with separately in Part One of my report.

ACKNOWLEDGEMENTS

11.7 I take this opportunity to acknowledge the substantial assistance received from the Federal Auditor General and his staff. Manuals, audit guides and discussion guides have been freely made available to me over the past years. To develop this material in-house would have been expensive and time consuming and would have sharply reduced the time I could have devoted to actual audits. My Federal colleague and his staff have, on several occassions, assisted my Office with valuable advice in areas where I or my staff lacked expertise.

11.8 I would also like to acknowledge the contributions made by the Canadian Comprehensive Auditing Foundation, of which my office is a sustaining member. The Foundation has been a valuable source of methodology, research projects and professional development. Its excellent Conferences provide a forum for exchanging ideas with other practitioners and obtaining advice to further the development of comprehensive auditing.

11.9 Finally I would like to acknowledge the assistance received from the Ontario Ministry of Transportation and Communications and from the Provincial Auditor of Ontario in my audit of our Department of Transportation and Public Works.

REPORTING

11.10 In the following sections I have endeavoured to report the results of the comprehensive audits completed since my previous Annual Report. Reporting the results of such audits to the Legislature is becoming an increasingly difficult task. The comprehensive audit reports submitted to management are usually between forty and eighty pages long. Many of the reports are in themselves already concise. To further condense them to the few pages I can afford to devote to the subject in my report to the Legislative Assembly is extremely difficult. However, despite these difficulties I believe the following summaries focus on the major findings and are complete in that sense.

12. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

OVERVIEW

12.1 In 1980, as part of a government reorganization aimed at "providing a more manageable framework for the government" two departments,Highways and Public Works were amalgamated. The Parks Division as well as a number of other smaller divisions were transferred from other departments and also included as part of the new department.

12.2 Ideally a comprehensive audit should be performed on the whole department. In a large department this is not always desirable, because the time required to conduct the audit would delay reporting on the results too much.

12.3 Since the three major components still operated as separate units, it was feasible to break the audit down into three separate projects:

- Public Works
- Transportation
- Parks

The first was completed in 1982 and the results were reported to the Legislative Assembly last year; the other two were completed in 1983 and are reported on separately in the next two sections of this report.

12.4 The nature of its activities makes this department more comparable to a private sector operation than most other departments. Because of the many employment opportunities and other factors it also becomes more vulnerable to direct political influence.

12.5 Potential savings identified in the three audits amount to approximately four million dollars. To this can be added the nonquantifiable, but in my opinion not insubstantial savings that could result from business like management practices. These savings could be redirected to the improvement of roads.

12.6 From our audits it became apparent that strategic and operational planning should be a priority of the highest order, with integration and organization being a close second.

PLANNING

12.7 Strategic planning processes are not well developed within the Department. Although a plan was submitted to Executive Council in 1982, it was never formally approved or adopted. Our overall assessment of the document as a strategic plan is that it has severe shortcomings. However, it does represent a worthwhile step forward and I encourage continued development of the process which led to this plan.

12.8 Operational planning in the Department seemed to revolve more around budget constraints than the setting of objectives, performance measures and the assignment of responsibilities. There was no documented plan underlying the budget as a basis for evaluating results. Consequently, accountability and control are lacking.

12.9 **I recommend that the Department define and implement the necessary planning processes.**

DEPARTMENTAL PURPOSE AND ORGANIZATION

12.10 One of the stated intents of the reorganization was "to provide a better grouping of services within a single departmental framework." For this, long range objectives must be clearly defined. Once they have been established, they will provide the basis for a rational organizational structure.

12.11 I found no evidence either of a formal reorganization plan or of the implementation of an informal plan. As a matter of fact, each division still operates independently as they did before the amalgamation. Nine line directors report to the Deputy Minister; some divisions are technically linked; some are more staff than line functions and others appear to play only minor roles. The existing organizational structure appears to be rather unwieldly and unrealistic.

12.12 **I recommend that the Department give a high priority to reorganization in order to provide a framework for greater economy, efficiency and effectiveness.**

13. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

HIGHWAYS BRANCH

AUDIT SCOPE

13.1 This audit was requested by the Legislative Audit Committee. Although my report addressed the terms of reference provided by the Committee I have treated this as a regularly scheduled comprehensive audit. Accordingly I did not limit either the scope of my work or the matters reported on.

13.2 My audit dealt with several department-wide issues which are discussed in the previous section. In specific relation to the highways branch of the department my efforts were concentrated on road construction, operation and maintenance programs. I could not audit many technical matters adequately because I was unable to engage engineering experts. However I consulted on several matters with the Ontario Ministry of Transportation and Communication and the Bureau of Management Consulting of the Department of Supply and Services at no cost to the Province.

13.3 My detailed audit report was submitted to the Committee and to the Department in December of 1983.

PLANNING AND PAVEMENT MANAGEMENT SYSTEM

13.4 The emphasis on quality and service and financial restraint in the department calls for maximum efficiency and effectiveness in meeting as many of the demands that are placed on the department as possible.

13.5 It also calls for excellence in planning, long term as well as short term. Yet, the Branch does not have a well structured planning process, nor does it have an approved and clearly defined long term plan. The existing approach is more reminiscent of crisis management than of planned management.

13.6 The cost of maintaining a road system that currently consists of 3000 kilometers of paved and 1500 kilometers of unpaved roads is substantial. Demands for additional paving persist. The questions must be raised: What can we afford and what long term commitment are we willing to make? These questions can only be answered after a long term plan has been prepared and approved. Such a plan should encompass the existing road system over the average life time of 15 years. It should also set the desired road standards.

13.7 Before a final plan can be put in place some trade-offs may have to be made between the number of kilometers of road and the quality of the roads. If the road system is to be permanently maintained to acceptable standards, long term financial commitments may be required from Treasury Board based on a long term budgeting process.

13.8 The pavement management system now under development is crucial to the planning process and the setting of priorities. Although the computer programming for the system is developed, data collection has not been closely monitored and is progressing very slowly. The system, once completed will provide objective data on pavement strength, condition and ridability.

13.9 I recommend that a high priority be given to preparing a fifteen year affordable strategic plan supported by long term funding commitments.

13.10 I recommend that completion of the pavement management system be accelerated in view of its crucial importance to the planning process.

POLITICAL INVOLVEMENT

13.11 Historically, Highway Departments anywhere have had long standing traditions of direct political involvement in road construction and maintenance operations and related activities. Our jurisdiction is no exception. It is not my place to judge whether or not this is good or bad. I simply state it as a fact. But because this often unstructured involvement carries a high cost and plays havoc with planning, economy, efficiency and effectiveness, I feel it my duty under my mandate to report it.

13.12 No one is more keenly aware of the needs of an individual district than the elected representative and the value of this input should certainly not be under estimated or ignored. However, if the present approach could be replaced by a more meaningful and controlled process, I feel that it would benefit the quality of the overall road system and the performance of the department.

13.13 I recommend that the department define meaningful ways to integrate the input from elected representatives with its planning and management processes and that it seek endorsement for this approach from the appropriate authorities.

CONSTRUCTION SECTION

13.14 Good estimating is necessary for project cost control and is an important instrument for efficient management and the prevention of abuses.

13.15 I found substantial discrepancies between estimated and actual quantities of materials used on many projects, especially on the grading contracts. Quantitites are consistently overestimated in order to avoid change orders or appropriation transfers. This defeats management control, because changes orders are usually signals of problems. Also, project estimates usually include a provision for asphalt seal even though in most cases the seal coat is not placed until the following year. This too provides an additional buffer for possible over expenditures. Unintentional errors in estimating often result from failure to provide the proper soils testing and survey work on the site prior to preparing the estimate, especially for provincial paving.

13.16 Other deficiencies affecting management control were noted:

- Project files were incomplete and inconsistent in quality.

- There is no documentation on quality control in the project files.

- Site supervision, an essential control element, could be improved.

13.17 Little organized and controlled research is performed to ensure that we receive best value for the construction dollar. We perceived a somewhat defeatist attitude that our soil is unique and that little can be done to improve construction techniques.

13.18 I recommend that the department define and implement adequate control and reporting systems.

13.19 I recommend that the department commission research studies by well qualified institutions to assess our present construction methods or develop more effective ones that will provide best value for money over the lifetime of a road.

ROAD MAINTENANCE

13.20 I do not have the technical expertise to assess the extent of rehabilitation and reconstruction of paved roads required from one year to the next. However, if we assume the average useful life of a paved road

is 15 years and we have 3000 kilometers it would seem reasonable to conclude that on average, extensive rehabilitation or complete reconstruction would be required on approximately 200 kilometers each year.

13.21 Over a fifteen year cycle, this average cannot be attained in every year, especially during the current time of restraint. However, every kilometer of existing pavement will eventually reach a stage when the present value of future costs to maintain will materially exceed the cost of reconstruction. Life cycle costing must therefore be incorporated into the long term planning process.

13.22 **Patching:** The optimum size of a patching crew is usually eight. There were many incidents where this number was exceeded which resulted in decreased efficiency of the crew. In the 1982 construction season, $64,000 was spent on excess members of patching crews with little or no benefit to highway maintenance. Although several similar incidents were observed during the 1983 season, management has indicated that this type of overstaffing was reduced somewhat.

13.23 **Snow Clearing:** 2200 kilometers of road are cleared by private contractors and 2400 kilometers by government employees. The cost per kilometer using government plows exceeds the cost using private contractors by 30% or $420 per kilometer. This translates into an additional cost to the Province of $1 million. Assuming a 10% profit margin for private contractors the difference escalates to $1,350,000. I found that this inefficiency is due mainly to the high cost of equipment repairs and maintenance.

13.24 **I recommend that the department engage an automotive consultant to advise on the economic and efficient operation of the garage and on the economics of privatization.**

13.25 **Sanding:** I observed an uneven distribution of trucks between counties. Explanations vary from "too many sanding trucks in Kings and Queens Counties" to "more rolling hills, more traffic, people, etc." If overall efficiency could be made to equal that of best performance in Prince County, twenty-five fewer trucks would be needed. Also most spreaders are not automated.

13.26 The rationalization and automation of the sanding operations could, without reducing the level of service, result in annual savings of $700,000.

13.27 I recommend that the department manage the sanding and salting operations in an economic manner and maintain cost records to monitor and compare performance.

MISCELLANEOUS

13.28 Efforts to improve economy and efficiency are required in sign production, highway line painting, asphalt patching, highway sweeping and inventory management. In addition there are potential cost savings through privatization of some services now provided in-house.

13.29 Capital expenditures are usually financed with long term debt while maintenance is usually paid for out of current revenues. There is a problem distinguishing between capital and maintenance in highway operations. There is a risk that maintenance work with little or no long term benefit is being financed with long term debt. **I recommend that clear definitions be developed for capital and maintenance to eliminate this risk.**

AUDITOR'S REPORT

13.30 The highway system in P.E.I. is the result of many years of short term planning. The system is maintained and added to each year but there is no clear statement of purpose to provide overall guidance to the activities of the highways branch. Ongoing measures of effectiveness to determine whether standards of strength, durability and condition are being met have not yet been put in place. As a result I am unable to state whether the Department has achieved its purpose.

13.31 A number of instances were reported where economy and efficiency could be improved. Considering the extent of these findings I must report that the highways branch of the Department has not operated economically and efficiently.

14. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

PARKS DIVISION

AUDIT SCOPE

14.1 My audit included the full scope of activities of the Parks Division with particular emphasis on its objectives and the planning and financial management control systems.

HISTORY AND MANDATE

14.2 In 1956 the Provincial Parks Act provided the authority to create public parks and pleasure grounds for the people of Prince Edward Island. Among the first parks to be established were Strathgartney, Lord Selkirk and Brudenell. In 1965, the Act was replaced by the Recreation Development Act which included hotels, motels, tourist cabins and campgrounds in an expansion of the mandate.

14.3 During the 70's the system was greatly expanded and upgraded for the promotion of tourism and the growing demand for tourist facilities. The needs of the local people were not overlooked in the process. The expansion was largely financed by grants of nine and one-half million dollars under the Development Plan. Prince Edward Island now has a well developed system of day parks, campgrounds, conservation lands, historic sites, etc., well dispersed throughout the province. The system will ensure that unique and representative features of the Island's cultural and natural history are preserved. It will also provide a wide range of recreational, education and other services to tourist and the local population.

PLANNING

14.4 Planning and implementation was well handled by the former Department of Tourism, Parks and Conservation. In 1980 the Park operations were transferred to the Department of Transportation and Public Works. Around the same time the funding under the development plan was discontinued.

14.5 The Parks Division still owned 4200 acres of undeveloped land, mostly acquired under the Land Leakage Program administered by the Land Development Corporation. Also, the high operating costs and low usage of campgrounds suggested a need for reevaluation. A study by Maritime Resource Management Services (MRMS) was commissioned to conduct a review of the goals and strategies of the Parks system and to project the needs for the next five to ten years. The study was completed in 1980 but never officially acted upon by the Department.

14.6 I recommend that the policies, strategies and objectives be evaluated in the light of Departmental and Cabinet priorities with the intent to define an affordable long term plan.

CAMPGROUNDS

14.7 In 1981-82, the cost of operating and maintaining 16 campgrounds, 23 day use only parks, a ski park and 2 golf courses was one million dollars. This did not include regional and head office administration costs totalling $860,000. The total park costs of $1,890,000 were offset by revenues of $514,000 leaving a net cost of $1,376,000.

14.8 The administrative overhead of $860,000 included $560,000 for regional offices and $300,000 for head office. The regional office expenditures included some items which might be considered direct operating expenditures however, all regional costs are in support of parks operations. An estimated one third of head office expenditures apply to parks. In relation to total costs, recorded overhead appears excessive and should be reduced.

14.9 I recommend that the records be maintained in such a manner that all direct operating costs are charged directly to the parks and kept separate from overhead costs.

14.10 I further recommend that overhead be reviewed and kept to a reasonable minimum.

14.11 The sixteen campgrounds vary in size from 30 to 144 sites. The overall occupancy rate for the 1077 sites available is low at 35%. From an economic viewpoint the higher the occupancy rate the more cost effective the campground will be. From an environmental stand point there is possibly a maximum sustainable limit. The division director has indicated that the maximum acceptable occupancy rate is about 75%. This level is probably not attainable, especially in the off-peak season, without a reduction in the number of campgrounds.

14.12 The Innkeepers Act stipulates around the clock supervision for campgrounds. This is a costly proposition, considering that a large number of parks have less than fifty sites.

14.13 The economics of the system need to be re-examined. Various alternatives are available:

- Conversion of the smaller underutilized campgrounds to day parks which are much cheaper to operate.
- Operating most campgrounds during the peak season only.
- Expansion of highly utilized smaller campgrounds to an economic size.
- Leasing to private operators, if possible.
- Any combination of the above options.

Potentials for reduction in operating costs range from $120,000 to $300,000 depending on the alternatives.

14.14 I recommend that the above alternatives for more effective use of the parks be considered with a view towards maximum reduction in net costs.

MANPOWER PLANNING AND COMPENSATION

14.15 Manpower Planning refers to systems and procedures for ensuring that the appropriate numbers of employees are available with the required skills, when and where they are needed. Analysis of activities and application of work standards are critical components of the system.

14.16 Manpower planning is especially important in the Park system, where salaries make up two thirds of the operating costs. I did not find a formal planning process. Staff is hired largely on the basis of what the district supervisor states he needs. Because of the lack of a formal system, I could not perform an audit of manpower requirements. However, a reasonable calculation seems to indicate that overstaffing exists and that minimum savings of $45,000 could be achieved through appropriate planning.

14.17 Compensation is based on the Collective Agreement between the Province and the Public Service Association. The agreement provides that where the tasks of unclassified employees match those of classified positions, the rate of pay will be determined by the equivalent classifications. The rates of pay for other employees are to be determined through consultation between the parties involved. Most unclassified parks employees have been matched to one classification or another within the agreement. For many positions there is some reasonable doubt whether the comparisons made are rational. The rates of pay for most workers is well above rates paid for comparable positions in private campgrounds. Total excess costs could be as much as $200,000.

14.18 I recommend that the Department implement a process for manpower planning and assess the reasonability of its compensation policies.

AUDITOR'S REPORT

14.19 The Division has met its general objectives under the 1965 Recreation Development Act. Because the objectives are not quantified it is not possible to state how well they have been met.

14.20 In view of the identified potential cost savings it cannot be said that the system has been operated economically and efficiently.

15. PENSION FUND MANAGEMENT

INTRODUCTION

15.1 Government has assumed responsibility for a variety of pension plans either directly or indirectly. Some are incorporated in legislation such as the Civil Service and Teacher's Superannuation Funds, M.L.A. Pension Fund and Judges Pension Plan. Several others are funded indirectly by Government such as the Hospital Workers, Non-instructional School Board Employees, Holland College and UPEI pension plans. There are many variations in benefits, employer contributions, fundings and fund management between these plans.

15.2 In 1978 Treasury Board established a Pensions Policy Committee with the following terms of reference:

- To advise Executive Council and Treasury Board on public service pensions policy.
- To consider and advise on proposed changes in benefits and/or deductions.
- To coordinate policy developments among the Civil Service, Hospital, School Units, UPEI and Holland College.

15.3 The Committee has been active with regard to the establishment of the Hospital and Non-instructional School Board Workers Plans, but has never undertaken a comprehensive study of the management and financial status of all plans funded by government.

15.4 In 1982 Treasury Board commissioned actuarial studies of the Civil Service, Teachers and M.L.A. Pension Funds and I felt this to be an appropriate opportunity to concurrently perform a comprehensive audit of these funds. The results of the audit have been reported to the Pensions Policy Committee.

HISTORY

15.5 The Teachers Superannuation Fund was initiated in 1931,the Civil Service Superannuation Fund in 1945 and the M.L.A. Fund in 1973.

15.6 My audit reports in the 70's drew attention to deficiencies in funding and to the need for professional management of fund investments. Until 1973 no employer contributions had been made to the Teachers Fund and it was in a near deficit position. The Civil Service Fund had received employer's contributions equalling pensions paid out in the previous year but this was not enough to cover the benefits accruing from year to year. Substantially as a result of this insufficient funding by government, a significant shortfall now exists in these funds.

15.7 On various occasions in the past, I have made recommendations and gradual improvements in employer's contributions occurred. Since 1980, government has matched employees contributions which were gradually increased as well.

15.8 As of March 31, 1982, the Civil Service and Teacher's Funds jointly had assets of $46 million. If matching contributions had been paid since the initiation of the funds, the total assets would have been $82 million assuming a rate of return similar to that experienced on the existing investments.

15.9 My recommendation for professional investment management was not followed. The potential benefits of active professional investment management were clearly illustrated to me when I requested the actuary to calculate the effect a 1% increase in the assumed rate of return would have had on the unfunded liabilities of the Teacher's and Civil Service funds. The result indicated the unfunded liabilities on these funds would have been reduced by $38 million.

15.10 Although the actuary acknowledged a 1% increase to be possible, it was his view that a .5% increase in the real rate of return was more realistic. Whatever increase can be attained, the implication is clear that it will have a substantial impact on the financial position of these pension funds.

15.11 The recent estimated unfunded liabilities are $106 million for the Teachers Superannuation Fund and $66 million for the Civil Service Superannuation Fund. These are substantial increases since 1977 and the major reasons for the increases are: non-amortization of the unfunded liability, improvements in benefits without corresponding increases in contributions, underpayment of current service costs and changes in the asset valuation method.

15.12 The actuarial method used for the Civil Service and Teacher's Plans is the accrued benefit method. It takes many factors into account mostly based on past experience, assuming they will hold true for the future. However it must be realized that they are estimates only, even though intelligent estimates based on actuarial theory. And changes will occur over the long term, that could materially alter the calculations. For that reason actuarial calculations should be made periodically, e.g. every three years, to reflect such changes.

15.13 Although there is reason for concern, there is no cause for alarm. Sufficient income will be generated by current contributions and interest earned thereon to cover pensions payable for at least the next twenty years. However, beyond that outgo will exceed income unless improvements are implemented now.

FUTURE MANAGEMENT

15.14 Given the recent actuarial results and the tenuous long-term financial position of these larger pension funds, it is essential the Pensions Policy Committee become more active and develop a long term strategy for public sector pensions.

15.15 Without limiting the Committee in its deliberations on this complex matter I offer the following suggestions for its consideration:

- Develop an overall policy and plan of action for dealing with all public sector pension fund plans.
- Contract investment management out to experienced professionals.
- Increase the contribution rates to the level recommended by the actuary.
- Renegotiate with participants benefits to correspond with the desired level of contributions if the actuarial rate is judged unacceptable.
- Strengthen the fund administrations to ensure that they contain reliable data.

- Explore the potential for dedicating windfalls in other areas to make up for past shortfalls in employer contributions.

- Improve the financial and management reporting for the funds.

15.16 I am confident that with appropriate management the funds can be brought into a healthy position over the long term period.

16. DEPARTMENT OF EDUCATION

AUDIT SCOPE

16.1 I restricted my audit to a review of departmental programs, and did not include the five regional school units and the post-secondary institutions.

16.2 I concentrated my review on the main components, planning, foundation program, evaluation and assessment, and curriculum development and implementation. Several other issues were examined to some extent.

BUDGET

16.3 The Department administers a budget of approximately $100 million or close to 25% of the total provincial expenditures. This percentage has not changed materially since 1972. The budget is allocated as follows:

- School Units	$71.4 million
- Maritime Provinces Higher Education Commission for Post-secondary education	$17.4 million
- Vocational Training administered by Holland College	$ 3.5 million
- Departmental Programs	$ 7.4 million
TOTAL	$99.7 million

THE CONSOLIDATED SCHOOL SYSTEM

16.4 Before 1973 the school system consisted of several hundred local schools. In 1973, a school consolidation program was initiated. Cornerstones of the program were: a foundation program and a school construction program. The Foundation program was to provide funding that would result in equal educational opportunities for all students and uniform educational standards for all schools. The school construction program was aimed at replacing the many one and two room schools with larger and better resourced elementary and secondary schools. The new school system was organized into five regional school units, each with its own board of elected representatives and a central administrative staff to serve the needs of individual schools within their jurisdictions.

16.5 A new School Act was enacted that assigned the responsibility for the foundation program to the Department of Education and the responsibility for implementation to the regional school units.

16.6 From my audit I concluded that the Department has not taken the necessary steps to ensure that a uniform standard of education exists for all schools. This may be due in part to the legislation which is vague on who has the final authority on evaluation of the school system.

16.7 **In my opinion it is necessary to more clearly establish and communicate the division of authorities between the department and the school units if the stated objective of the school system is to be achieved.**

PLANNING

16.8 The Department does not have a formal strategic planning process or an up-to-date long term plan giving direction to education for the 80's.

16.9 It cannot, however, be said that the Department in the last few years has not been concerned with planning. In recent years it sponsored Advisory Committees to address individual issues such as learning disabilities, curriculum and the role of computers. However departmental policies on these matters and accompanying plans for their implementation have been slow in coming.

16.10 Most planning at present centres around the annual budget process, which primarily focuses on maintaining the status quo of existing programs under the current economic restraint guidelines.

16.11 I recommend that the Department prepare a well documented comprehensive long term plan in consultation with Cabinet. The plan should take into account the needs of the school system environment and provide a basis for policy development, priority setting and resource allocation.

FOUNDATION PROGRAM

16.12 Started in 1972, its objective was to ensure equal education opportunities for all students. The underlying concept was to distribute resources in a manner that would provide basic uniform standards of education. The program has, however, stalled at uniform resource allocation, by placing the emphasis on the inputs only such as school construction and foundation program funding.

16.13 The emphasis of the department continues to be on an equitable allocation of resources. This is being done without measuring the outcomes of the system and the impact this should have on funding decisions for individual school units.

16.14 The funding of the foundation program should take into consideration the performance of the school system.

EVALUATION AND ASSESSMENT

16.15 The Foundation Program is aimed at providing a uniform basic program of education on a province-wide basis. The ultimate test of the effectiveness of this effort is the educational level attained by students exposed to the dynamics of the process. The Department does not have an adequate evaluation mechanism in place to measure the performance of the school system.

16.16 Only the Canadian Test of Basic Skills has been distributed to all schools - even though others are available - and applied to selected grades. Little control was exercised on how the tests were administered and the results of the tests have not been disseminated in an organized fashion to other personnel in the department. Although the Canadian Test of Basic Skills is used, it is not curriculum specific and the results are not utilized to evaluate the performance of the school system.

16.17 Although evaluation is a complex and controversial topic, the public is entitled to be assured that it receives value for the $70 million spent annually on the education of the 25,000 elementary and secondary students in this Province.

16.18 I recommend that the Department establish and implement an evaluation framework whereby the department is able to obtain information for assessing and analysing the outputs and performance of the school system.

CURRICULUM DEVELOPMENT AND IMPLEMENTATION

16.19 The report of the Ministerial Advisory Committee on Curriculum, issued in late 1981, strongly emphasized the importance of curriculum development and in-service training for new programs. My audit concentrated on the systems and management activities that result in the establishment and implementation of the course of studies for the school system. I would emphasize that I did not assess the quality of the courses that were developed. This important function can only be done when standards are set by the Department and an evaluation system is established to measure performance. No major weaknesses were found in the curriculum development management processes.

16.20 Several recommendations were made to enhance the management guidelines and for the department to reevaluate its approach to developing curriculum guides.

OTHER MATTERS

16.21 In addition to the subjects reported on above, several other programs were audited and comments were made in my full report to the Department. Following are some significant highlights:

- The existing system employed by the Provincial Libraries for cataloguing and inventory control is archaic and contributing to backlogs and inefficiencies. I concur with the recommended changes approved by the Computer Priorities Committee.

- Control over equipment was found to be inadequate and recommendations were made for improvement.

- Some of the departmental procedures for controlling the school unit payroll were found to be weak and recommendations for improvements were made.

- A reassessment of the role and activities of the Provincial Planning Library were recommended.

- The transfer of the General Education Development Program for adults to Holland College was recommended.

- Observations and recommendations were made on special education and media services.

17. DEPARTMENT OF JUSTICE AND THE ATTORNEY GENERAL

DIVISION OF CORRECTIONS

17.1 This Division is responsible for providing institutional correctional services for adult offenders sentenced to less than two years. The main activities are to provide custody, education, training, employment, health care and security escort services for inmates. A secondary function is to provide routine overnight lock-up facilities. The main facility is the Sleepy Hollow Correctional Centre, built in 1979. Secondary facilities for overnight lock-up and overflow from Sleepy Hollow are maintained in both Prince and Kings Counties.

17.2 The total budget for institutional correctional services was $2.3 million in 1982/83. Of this, $2 million is administered by the Division of Corrections and $300,000 is for maintenance and is the responsibility of the Department of Transportation and Public Works.

17.3 I concluded at an early stage in my audit, that the Division is managed conscientously, that all major issues are known and are being dealt with and that no matters worthy of in depth audit work were identified. My report was prepared accordingly and for the most part concurs with management actions taken to date. I did make some recommendations in connection with overtime compensation and employee leave.

AUDITOR'S REPORT

17.4 I did not have the technical expertise to evaluate the appropriateness of Division policy and procedure in all matters relating to the corrections function. However, I am satisfied that the objectives of the Division are clearly defined and that these objectives are generally being achieved. Further in my opinion, they are being achieved economically and efficiently as demonstrated by statistics which indicate that P.E.I. in comparison with other provinces has one of the lowest cost per prisoner day in Canada.

18. RECORDS MANAGEMENT

BACKGROUND

18.1 Records management is the systematic control over the creation, maintenance, retention, protection, and preservation of records. Properly executed, a records management system will result in fewer, more useful records, economically maintained.

18.2 In 1981 I conducted a brief review of the Public Archives. At that time, I recommended that the Provincial Archivist in consultation with the Public Documents Committee develop criteria to be used in the design of retention and destruction schedules for all government records. No action has been taken to date on this recommendation.

18.3 The experience of other provincial governments and the federal government demonstrate that substantial monetary savings may be realized through a records management system, particularly from freeing up storage space, office space, filing cabinets, and employees time.

18.4 In an effort to document the records management function as it exists in legislation and in practice here, I surveyed all government departments and the Public Archives.

18.5 The Archives Act calls for the Prince Edward Island Archives and Records Office to perform an inventory of public documents. This inventorying is defined as including "the preparation of retention and destruction schedules of any public documents." The preparation of such schedules would mean that each record would have an approved destruction date saving both administrative time and storage space. The Act further states that upon recommendation of the Public Documents Committee, the Lieutenant Governor-in-Council may order the transfer or destruction of records. I have seen no recommendation from the committee or Order-in-Council dealing with the destruction of records.

OBSERVATIONS

18.6 At present, a number of departments are reaching their limit in storage space. Some departments have attempted to establish which of their records can be destroyed but because of an overall failure on the part of the Public Documents Committee to provide direction, no progress has been made.

18.7 I encountered a wide variety of practices throughout the Departments in the use of the Public Archives the destruction and retention of documents and the general orderliness of storage areas. In general, far more is being retained and stored than necessary. Instead of using cardboard storage boxes, one department is using over fifty filing cabinets at a cost of $200 or more per cabinet to store its dormant files.

18.8 The government has fallen behind in the area of records management. If a practical system is not implemented there will be increases in the cost of maintaining unnecessary storage areas.

RECOMMENDATIONS

18.9 I recommend that the Public Documents Committee:

- **Provide greater leadership in the area of records management by obtaining proposed retention and destruction schedules from each Department, reviewing them and making an overall policy recommendation on which an Order-in-Council can be based and**

- **Require the Provincial Archivist to inventory the records held by him with a proposal for retention and destruction to be reviewed by the Committee and approved by the Lieutenant-Governor in Council in accordance with the Archives Act.**

REPORTS ON FINANCIAL AUDITS

19. INTRODUCTION TO FINANCIAL AUDITS

19.1 Section 13(1) of the Audit Act establishes my mandate for financial audits of the Public Accounts and of the financial statements of any Crown controlled or owned corporations, and the trusts and funds held by any agency of government insofar as they are not subject to financial audit by an external auditor.

19.2 In financial audits the Auditor, after an examination of records in accordance with the standards prescribed by his profession, expresses an opinion on the financial statements prepared by his client.

19.3 During his examination the Auditor may observe problems in the quality of records and financial controls. He may also observe problems in other areas. Any deficiencies or other matters may be reported in a management letter addressed to the client.

19.4 Section 16 of the Audit Act determines my reporting duties to the Legislative Assembly. Accordingly I submit the results of my financial audits for the year ended March 31, 1983 in the sections following this introduction.

20. APPROPRIATIONS

20.1 My audit of appropriations included a review of the systems and procedures for the administration of the annual budget. This entailed an audit of appropriations approved by the Legislature, additional appropriations approved by Executive Council upon recommendation by Treasury Board, Transfers approved by Treasury Board, and expenditures incurred by departments.

20.2 In Schedules "A" and "B" attached to this report I have compared appropriations with actual expenditures in accordance with the classifications in the 1982-83 Appropriation Act.

	SCHEDULE "A" ORDINARY EXPENDITURES	SCHEDULE "B" CAPITAL EXPENDITURES	TOTAL
	(thousands of dollars)		
Appropriations			
Original Act 1982 Session	$386,879	$32,664	$419,543
Supplementary Act 1983 Session	17,189	2,346	19,535
Increases by Order-in-Council	1,445	0	1,445
Total Appropriations	$405,513	$35,010	$440,523
Actual Expenditures	389,957	31,365	421,322
Under Expenditures	$ 15,556	$ 3,645	$ 19,201

20.3 Section 16(h) of the Audit Act requires me to report on additional appropriations. Details are shown in Schedule "C" attached to this report. Schedule "D" also attached to this report lists major under-expenditures.

20.4 During the 1982/83 year pursuant to Subsection 5(1) of the Public Departments Act several departments were renamed. The name changes are as follows:

PREVIOUS NAME	NEW NAME
AGRICULTURE AND FORESTRY	AGRICULTURE
COMMUNITY AFFAIRS	COMMUNITY AND CULTURAL AFFAIRS
FINANCE	FINANCE AND TOURISM
FISHERIES	FISHERIES AND INDUSTRY
HIGHWAYS AND PUBLIC WORKS	TRANSPORTATION AND PUBLIC WORKS
TOURISM, INDUSTRY AND ENERGY	ENERGY AND FORESTRY

20.5 Also, pursuant to subsection 5(1) of the Public Departments Act the responsibility for various matters were transferred between departments as follows:

TRANSFERS OF ACTIVITIES

	FROM	TO
Tourism	Tourism, Industry and Energy	Finance and Tourism
Industry	Tourism, Industry and Energy	Fisheries and Industry
Forestry	Agriculture and Forestry	Energy and Forestry

20.6 For Public Accounts purposes the Comptroller has reallocated appropriations and expenditures to retroactively reflect the departmental reorganization.

20.7 For reporting purposes under the Audit Act, in this section and in the Appendices, I had no choice but to follow the Appropriation Act, because it does not permit transfers between departments.

21. PUBLIC ACCOUNTS

AUDITOR'S REPORT

21.1 Section 13(1) of the Audit Act states:

> "the Auditor General shall audit, in such manner as he considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Fund, and the assets, liabilities, revenues, expenditures, trusts and funds held by any agency of government or Crown controlled or owned corporation insofar as it is not subject to financial audit by an external auditor."

21.2 The following Auditor's Reports were submitted for publication in the Public Accounts for the year ended March 31, 1983. Following is my report for the **Consolidated Fund:**

> "I have examined the balance sheet of the Consolidated Fund of the Province of Prince Edward Island as at March 31, 1983 and the statements of revenue and expenditure and net debt for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances except for any limitations in scope noted in my report to the Legislative Assembly.
>
> In my opinion, except for my comments in the Public Accounts Section of my report to the Legislative Assembly, these financial statements present fairly the financial position of the Consolidated Fund of Prince Edward Island as at March 31, 1983 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting referred to in the basis of reporting notes to the financial statements, which basis is consistent with that of the preceding year."

21.3 In addition I have examined the consolidated financial statements which combine the financial statements of the **Consolidated Fund, Crown Corporations and other Provincial Agencies.** Following is my Auditor's Report:

> "I have examined the balance sheet of the Consolidated Fund, Crown Corporations and other Provincial Agencies of the Province of Prince Edward Island as at March 31, 1983 and the statement of net debt for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances except for any limitations in scope noted in my report to the Legislative Assembly.

In my opinion, except for my comments in my report to the Legislative Assembly these financial statements present fairly the financial position of the Consolidated Fund, Crown Corporations and other Provincial Agencies of Prince Edward Island as at March 31, 1983 in accordance with the disclosed basis of accounting referred to in the basis of reporting notes to the financial statements, which basis is consistent with that of the preceding year."

LIMITATIONS IN SCOPE - FEDERAL TAX SHARING

21.4 Again this year I have been unable to audit revenues of over $200 million received from the Government of Canada consisting mainly of personal and corporate income tax collected on behalf of Prince Edward Island, equalization payments, and established program financing. I cannot audit these revenues because they are based on tax records and statistics which are under control of the Federal Government. For this reason, I am relying on work performed by the Auditor General of Canada to provide assurance that income taxes are fairly stated and on a confirmation received from the federal authority to ensure that all revenue received was in fact recorded.

AUDIT OBSERVATIONS AND COMMENTS

21.5 Following are my audit observations along with some comments. Many of these items are of substance and they should be carefully considered in conjunction with the review of the Public Accounts.

ALL FUNDS BALANCE SHEET - CROWN AGENCIES

21.6 The All Funds Balance Sheet combines the balance sheet of the Consolidated Fund with the balance sheets of a number of Crown Agencies. Section 52(2)(e) of the Financial Administration Act states that the Public Accounts shall include a statement of assets and liabilities which consolidates the accounts of the Consolidated Fund and such of the Crown Corporations named in Schedules B and C as the Minister may determine. Not all the Crown Agencies listed in Schedules B and C of the Financial Administration Act are included in the consolidation.

21.7 The basic reasoning for their exclusion has been explained to me and although from a viewpoint of full disclosure I do not agree entirely with the reasons for the exclusions, the wording in the Financial Administration Act at present does give discretion to the Minister.

21.8 There is a further problem in that Schedules B and C do not list all significant Crown Corporations and Agencies. The Act defines Crown Corporation as a corporation that is accountable through a Minister to the Legislative Assembly for the conduct of its affairs and includes the corporations named in Schedules B and C. There are a number of entities which could fall under this definition but which are not included in the schedules. In my opinion, the lists should be expanded to include at least the following:

1. The Prince Edward Island Heritage Foundation

2. The Charlottetown Area Development Corporation

3. The Summerside Waterfront Development Corporation

Further in my opinion, these three entities should be included in the All Funds Balance Sheet of the Province.

21.9 Malpeque Oyster Cultures Incorporated ceased operations on March 31, 1982. Previously the accounts of this organization were included in the All Funds Balance Sheet.

DEFICITS OF GOVERNMENT AGENCIES

21.10 Section 16(f) of the Audit Act requires me to report the deficits of government agencies not covered by appropriations or any surpluses not paid into the Consolidated Fund. The following is reported for 1982/83:

	SURPLUS/(DEFICIT)	
GOVERNMENT AGENCY	1982/83	ACCUMULATED
P.E.I. Grain Elevators Corporation	(169,000)	(453,000)
P.E.I. Crop Insurance Agency	(676,000)	463,000
P.E.I. Energy Corporation - operating	61,000	266,000
- capital	3,385,000	4,727,000
P.E.I Market Development Centre	187,000	187,000

All entities reported above have obtained approval from Executive Council to carry over their surplus or deficit except the P.E.I. Grain Elevators Corporation which is still under consideration at the time of writing this report.

UNDERSTATEMENT OF NET DEBT

21.11 Net Debt consists of all liabilities of the province less the value of realizable assets. In my opinion, liabilities are understated and realizable assets are overstated with the result that Net Debt is understated as at March 31, 1983 by as much as $76 million.

21.12 In government accounting, the determination of what constitutes a liability and what constitutes a realizable asset are both matters of controversy. The Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants may eventually settle any disputes through its reports and pronouncements. In the meantime, it is my opinion that the following items are not properly presented in the Public Accounts of the Province.

21.13 **NON-REALIZABLE ASSETS**

Loan Receivable - Farm Centre Association

Payments due on this account which stands at approximately $200,000 are being provided for each year by appropriation and should be written off.

Hospitals

The balance sheet of the province shows mortgages and loans receivable from the Queen Elizabeth, Prince County and Stewart Memorial Hospitals totalling $35.7 million. In the past I have argued that this amount is incorrectly categorized as a realizable asset because the only source of funding for these hospitals is through the current budget of the province and that any payments recorded in settlement of these receivables in effect are not received from an unrelated third party. I have recommended that these receivables be removed from the realizable asset section of the balance sheet.

The Department of Finance has argued that to the extent transfer payments from the federal government are directly applied toward repayment on principal by the hospitals there is a third party involved and the asset is realizable.

There is merit in this argument; however, it is difficult to determine to what extent repayment on principal is a factor in federal funding of hospital services. For total expenditures the ratio is about 50%. A transfer to net debt of 50% of the outstanding loans and mortgages would be a step in the right direction.

The Department of Finance also argues that the hospitals are independent entitites, that they have the right to own assets and to incur liabilities and that the financial statements of the province merely reflect the relationship between two separate entities. Although I do not question the independence or rights of ownership of the hospital boards, I do feel that the financial dependence has a significant bearing on the net debt of the province.

School Unit Debentures

Loans receivable from the school units amount to $34 million. They are similar to the hospital loans in that the main source of funding for future repayment is the consolidated fund of the Province. Arguments presented by the Department of Finance again involve the independence and rights of ownership of the School Units. However, in my opinion for purposes of the Public Accounts, the financial dependence of the School Units has a direct bearing on the net debt of the province.

21.14 UNRECORDED LIABILITIES

Courthouse Lease

The determination of what is or is not a liability is not always clear and simple. For example, when government leases a building, the annual lease payment is normally considered a current expense and because normally a lease agreement can be terminated, there is usually no recognition of any long term commitment or liability. However, generally accepted accounting principles require that under certain conditions a lease commitment must be recognized as a long term liability. When the term of the lease is approximately equivalent to the economic life of the building, when ownership transfers to the lessee for a nominal sum at expiry or when the lease payments are based on recovery of the initial capital cost of the building the lease is considered in substance to be a purchase. Therefore the building is to be treated as a capital asset and the present value of the lease commitment as a long term liability.

The lease on the Sir Louis Henry Davies Law Courts Building is in substance a purchase and the present value of the lease payments or $3.1 million should be treated for accounting purposes as a capital asset and a long term liability should be set up.

Guaranteed Debt

The guaranteed debt schedule in the Public Accounts continues to show guarantees on debt incurred by individual schools now incorporated into the consolidated units. Annual payments of principal and interest on these debts are made from regular appropriations. This guaranteed debt is a real liability of the province and should be recorded as such. Hence, liabilities and net debt are understated by $2.7 million.

The combined effect of the above noted items is an understatement of Net Debt by as much as $76 million. The combined Net Debt of the Province presently stated as $146 million could be as much as $222 million.

SALES TAX RECEIVABLES

21.15 This year sales tax receivables was understated by approximately $650,000 because of an accounting error. Revenue was understated by a corresponding amount. Last year I recommended that an appropriate allowance for doubtful accounts be established for sales tax receivables. This has not been implemented. These two errors are offsetting and the net affect on the Public Accounts this year is not material.

NET FUNDED DEBT - CANADA PENSION PLAN DEBENTURES

21.16 These debentures are callable on six months notice by the Federal Minister of Finance on a prorated basis of total outstanding debentures subject to a deemed shortage in the Canada Pension Plan Fund for meeting benefits payable.

DOUBLE BUDGETING

21.17 The estimates and public accounts have always contained expenditures that were budgeted under more than one heading. Unless these are eliminated expenditures and revenues are overstated to the extent that double budgeting occurs, creating the impression that our level of expenditures is much higher than it really is. Double budgeting usually arises as a result of the reallocation of costs. In many cases, cost allocation is proper and justified and in itself is not a problem. However, for purposes of published financial statements, revenue and expenses should be reported once. Some years ago Treasury Board expressed its intention to eliminate double budgeting, however, this has not been done.

ACCOUNTS WRITTEN OFF

21.18 Section 16(g) of the Audit Act requires that I report the total amount of any claims obligations, debts or money due to the Province that have been discharged, cancelled and released under Section 17 of the Financial Administration Act. **The total amount written off in the 1982/83 fiscal year was $1,582,200.**

GUARANTEED DEBT

21.19 The Province has guaranteed a loan of $840,000 for the Hog Commodity Board. In addition, the province has a loan receivable of $266,000 from the Board. There appears to be considerable doubt whether this commodity board will be able to meet its obligations. An appropriate provision should be made to account for this potential loss.

GENERAL

21.20 Notwithstanding the above headings and comments there are other sections of this report which apply to specific aspects of the Public Accounts.

22. FUNDED AND UNFUNDED DEBT

22.1 To provide a better understanding of the funded and unfunded debt and net debt structure of the Province I have included some related schedules along with definitions of the terminology being used. For convenience, the definitions are numbered and wherever the terminology is used in the schedules cross references are made.

1. Gross Funded Debt

This the long term debt for which redemption provisions are made by means of Sinking Funds.

2. Sinking Funds

These are composed of accumulated savings provided from annual appropriations plus interest earned thereon. These funds are used to repay the debts as they mature.

3. Net Funded Debt

This is the gross funded debt less the sinking funds.

4. Net Debt

This represents the difference between total liabilities and total realizable assets on the Consolidated Fund balance sheet.

5. Combined Net Debt

This is the aggregate of the net debt of the Consolidated Fund and the net debts of Crown Corporations and other provincial agencies.

6. Combined Net Debt Restated

This is the combined net debt adjusted for assets repayable from future tax revenues.

7. Unfunded Debt

This is the long term loans for which no Sinking Fund provisions are made.

22.1 **SCHEDULE OF CHANGES IN GROSS FUNDED DEBT (1)**

For The Year Ended March 31, 1983

Gross Funded Debt, March 31, 1982 (1)		**$278,222,000**
Less:		
1968 issue: Annual payment on principal	71,000	
1962 issue: Issue matured	2,500,000	2,571,000
		$275,651,000
Plus:		
20 years Canada Pension Plan Average Interest Rate 14%	11,360,000	
5 years - August 16, 1987, 17%	25,000,000	36,360,000
Gross Funded Debt, March 31, 1983 (1)		**$312,011,000**

22.3 **COMPARATIVE SCHEDULE OF FUNDED DEBT**

March 31, 1983 and 1982

	1983	1982
Gross Funded Debt (1)		
Financed by: - debenture issues	$213,982,000	$191,553,000
- Canada Pension Plan Loans	98,029,000	86,669,000
Gross Funded Debt (1)	**$312,011,000**	**$278,222,000**
Sinking Funds (2)		
Provision for redemption of debentures	$ 68,695,000	$ 60,797,000
Provision for redemption of Canada Pension Plan loans	29,861,000	24,250,000
Total Provisions	$ 98,556,000	$ 85,047,000
Net Funded Debt (3)	**$213,455,000**	**$193,175,000**

22.4 **COMPARATIVE SCHEDULE OF COMBINED NET DEBT**

March 31, 1983 and 1982

	1983	1982
Net Debt - Consolidated Fund (4)	$128,775,000	$102,984,000
Net Debt - Crown Corporation and other Agencies	16,895,000	15,745,000
Combined Net Debt (5)	**$145,670,000**	**$118,729,000**

22.5 **COMPARATIVE SCHEDULE OF COMBINED NET DEBT RESTATED**

March 31, 1983 and 1982

	1983	1982
Combined Net Debt per Public Accounts	$145,670,000	$118,729,000
Add: Non-realizable loans receivable	70,165,000	62,859,000
Courthouse lease obligation	3,100,000	3,200,000
Guaranteed Debt - School Units	2,687,000	3,500,000
Net Debt Restated (6)	**$221,622,000**	**$188,288,000**

22.6 **COMPARATIVE SCHEDULE OF UNFUNDED DEBT (7)**

March 31, 1983 and 1982

Loans from Alberta Heritage Fund, Note 1	$43,000,000	$45,000,000
Loans from Federal Government	7,000,000	7,000,000
Total Unfunded Debt, Note 2	**$50,000,000**	**$52,000,000**

Note 1: This includes a serial issue of $23 million, which will be paid off in approximately equal installments over the term of the loan. This method of repaying debt is at least as effective as provision of sinking fund contributions.

Note 2: As at March 31, 1983 a surplus of $1,100,000 arising from over-provision for retired debts, was retained to assist in retiring unfunded debts.

23. GENERAL WELFARE ASSISTANCE PROGRAM

23.1 Payments under this program which covers cash assistance for food, shelter, clothing, fuel, utilities, household supplies, personal requirements and other special needs, amounted to $23.5 million for the year ended March 31, 1983.

23.2 In order to substantiate the expenditures for public accounts purposes, I reviewed a limited sample of client files and financial information at the regional offices as well as financial data at head office.

23.3 In the Charlottetown office, documentation supporting expenditures was missing in many of the client files examined. This has been a perennial problem and has been reported on before. Acceptable documentation would be an itemized checklist of procedures initialled by the case worker as documentary evidence that he has satisfied himself that expenditures were justified.

23.4 Applications for assistance do not include a declaration by the applicant attesting to the validity and accuracy of the information provided.

23.5 I recommend that acceptable standards for documentation be defined, that documentary evidence be maintained in the case file and that applications for assistance be revised to provide for a clients declaration and signature.

24. GRAIN ELEVATOR CORPORATION

24.1 The Department of Agriculture operated the Grain Elevators from 1971 to 1977 and generally managed to break even. In 1977, the operation was incorporated and management was transferred to a Board of Directors consisting mainly of producers. The facilities were initially leased for $65,000 per annum then increased to $74,000 to reflect the purchase of additional capital assets.

24.2 Over the last few years the Corporation has experienced decreasing sales and increasing losses. The loss for the fiscal year ended July 31, 1983 was $168,000; accumulated losses as of that date amounted to $450,000. Following is a schedule showing sales and operating results over the last four years:

	1980	1981	1982	1983
Sales - Tons	26,650	24,320	20,070	18,700
- Dollars	$3,924,000	$4,516,000	$3,400,000	$2,779,000
Gross Profit	$ 539,282	$ 465,421	$ 308,501	$ 360,363
Net income (loss)	$ 20,027	$ (54,480)	$ (251,237)	$ (168,573)

24.3 I performed an audit of the financial statements for the year ended July 31, 1983 but I did not conduct an in depth examination of the Elevator operations. From my involvement I can, however, suggest some possible causes for increased losses:

- An expansion of on farm storage facilities for grower/users may have decreased the demand for the services offered by the Elevators. It is interesting to note that these facilities are subsidized by a government program.

- Strong competition from private feed mill operators. These operations provide a more complete feed service, something the Corporation is unable to provide. Hence they are in a position to offer slightly higher purchase prices to producers.

24.4 To break even, the Elevator must have a higher sales volume. I estimate that a turnover of approximately 40,000 metric tons per annum could be needed, although break even calculations would be required to establish a more exact volume.

24.5 The Corporation is already being subsidized by non interest bearing advances for working capital of approximately one million dollars. If interest had been charged on these advances, the annual losses would have been at least $100,000 to $150,000 higher over the last few years.

24,6 The Corporation is now seeking further subsidization in the form of relief from lease payments and interest charges on a $350,000 permanent advance. This advance of course is not even enough to cover the present accumulated deficit. The question must be raised: will further subsidization be a permanent solution to the Corporation's financial problems?

24.7 **I recommend that the future need for and the role of the Grain Elevator Corporation be reassessed in the light of existing long term agricultural policies, before further subsidization is considered.**

25. CROP INSURANCE AGENCY

25.1 Since the disastrous losses in the 1978 and 1979 crop years, covered by appropriations totalling $2 million, the Agency has made deliberate and successful attempts to minimize its losses. As a result of adopting a policy to adjust premiums to absorb past losses, it had a surplus of $460,000 as of March 31, 1983 in spite of a significant loss for the year.

25.2 The present overall surplus does not, however, tell the whole story. A status listing by commodity indicates that a deficit in one commodity is obscured by a surplus in another. At present tobacco, processing

peas and grain are in healthy surplus positions, whereas potatoes, rutabagas and most significantly cole crops show deficits which are relatively substantial in comparison to the volume insured. Details are shown in Schedule "E" attached to this report.

25.3 It is one of the principles of risk management that each category carries its own risks and that good performance in one category should not have to make up for poor performance in another. For this reason, the agency should evaluate each commodity separately, when establishing premium rates.

25.4 Whenever a specific commodity incurs a deficit that cannot for some reason be recovered from increased premiums, an appropriation should be requested to reduce the deficit for that commodity to tolerable levels.

25.5 **I recommend that the Agency administer insurance programs for each commodity on the principle of self sufficiency and apply for appropriations where a program cannot be so administered.**

26. P.E.I. HOUSING CORPORATION - HILLSBOROUGH DEVELOPMENT

26.1 Previously I recommended that "the Corporation dispose of the project as soon as possible or request Cabinet approval of a restated objective with a simultaneous request for a substantial appropriation sufficient to cover a write down to the realizable value of the project."

26.2 Carrying costs have been mounting and in 1983 recovery cost stood at over $11,000 per lot. In 1983 the Corporation commissioned an accredited appraiser to estimate the market value of the remaining unsold properties.

26.3 The appraisal indicated that market values were well below book value and the Corporation decided that the only feasible solution was to place the properties on the Multiple Listing Service at their realistic market value. The Corporation will review lot prices based on demand and lot sales activity. 198 lots remain unsold at present and it may still be some time before all properties have been disposed of.

26.5 In view of the difference between book and market value, Treasury Board decided to write off $850,000. This will reduce the investment in developed lands to $1 million which appears to be a more realistic carrying value for the project.

26.5 In addition to the developed properties the Corporation still has an investment of $1,250,000 in undeveloped land.

26.6 I recommend that the Corporation now proceed to take the necessary action to dispose of the undeveloped property in the best manner possible.

27. ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY

27.1 In January 1975 the Atlantic Provinces entered into an agreement to establish the Atlantic Provinces Special Education Authority incorporated under the laws of Nova Scotia. The Authority was established to provide educational services for hearing and visually handicapped persons in the Atlantic provinces.

27.2 Regulation 24 under the Agreement states: "The Provincial Auditor of each Atlantic Province or his nominee shall serve as a member of a Committee, the function of which is to audit and report annually to the Board on the accounts and financial statements of the Board."

27.3 The Board operates two schools: the Sir Frederick Fraser School for the Blind in Halifax and the Resource Centre for the Hearing Handicapped in Amherst.

27.4 Until last year the audit of the Authority has been a joint undertaking of the Legislative Auditors of the Atlantic Provinces with my Office and the Office of the Auditor General of New Brunswick taking responsibility for the school in Amherst and the Auditor General of Nova Scotia for the school in Halifax. Historically the schools were operated separately and each prepared its own complete set of financial statements. The joint audit approach was cumbersome for the Auditors and more importantly for the client as well.

27.5 At their 1983 meeting the Atlantic Auditors General agreed that the Auditor General of Nova Scotia be nominated as the APSEA Auditor for a four year period and that one set of financial statements be prepared for the Authority, with segmented information where required for the individual schools. I understand that the arrangement has been approved by the APSEA Board.

REPORTS ON IMPLEMENTATION OF RECOMMENDATIONS

28. INTRODUCTION

28.1 Many of my audits include recommendations for improvement. I feel it is necessary to follow up on my recommendations to ensure that the underlying problems are receiving the attention they deserve. This section is a summary of past recommendations and the action which has been taken by those responsible for implementation.

28.2 Because my recommendations to Cabinet and to Treasury Board are relatively few in number and deal with policy or government-wide issues of importance, I have been able to list them individually. My comprehensive audit reports on the other hand usually contain a large number of recommendations. These have been dealt with in summary fashion with special attention drawn only to major recommendations not appropriately dealt with.

28.3 The purpose of this section of my report is to facilitate the work of the Public Accounts Committee. Where it proved feasible, in the case of recommendations to Cabinet and Treasury Board, I have employed a three column approach which, I believe, clarifies the status of individual recommendations. However, the nature of the other Recommendations (Sections 31 to 34) would make the three column format unwieldly.

29. 1981/82 RECOMMENDATIONS TO CABINET

RECOMMENDATIONS	REPLY FROM CABINET	COMMENTS BY AUDITOR GENERAL
That the Corporation and Cabinet take the necessary steps to have the problems resolved that stand in the way of collecting accounts receivable of over $1 million.	- Negotiations have been satisfactorily concluded from a policy stand point and I understand that payment in full, including interest, will be received fairly soon.	- My audit on the Land Development Corporation indicates that this is correct.
That Cabinet explore the potential for consolidation of the P.E.I. Lending Authority and the Land Development Corporation.	- The subject of combining the operations of the two Corporations has been discussed and if and when a decision to amalgamate is reached, you will be advised.	- I am pleased that the matter is being considered and will report further when I have been advised on the final decision.

30. 1981/82 RECOMMENDATIONS TO TREASURY BOARD

RECOMMENDATIONS	REPLY FROM TREASURY BOARD	COMMENTS BY AUDITOR GENERAL
Program Evaluation: That Treasury Board give a high priority to implementation of a practical evaluation process in consultation with Deputy Ministers and managers of Crown agencies.	- In more recent times departments via the annual budget process have been required to reestablish **priorities** with a view to maintaining essential services while reducing costs. The Province is satisfied that this **process** is working and is not convinced that implementation of a seemingly more sophisticated system would produce additional benefits.	- My recommendation still stands. Program evaluation is an integral part of the **departmental** management process and is or should be the measurement of achievements against preset standards. Setting **priorities** is the result of evaluation not the **process.**
Accommodations Standards: That Treasury Board update its accommodations standards and ensure that the Services Division receive sufficient authority for enforcement or alternatively that Treasury Board take over the responsibility for enforcement in instances where the Division reports Agencies of government failing to adhere to the standards.	- The accommodations standards manual is currently used by the Department of Transportation and Public Works in designing and setting up new office accommodations. Treasury Board indeed supports the principle of having the Services Division co-ordinate the accommodation needs of government. This is reflected in the various related decisions of the Board.	- My recommendation stands in that it is still my opinion that the **standards** require updating.

30. 1981/82 RECOMMENDATIONS TO TREASURY BOARD

RECOMMENDATIONS	REPLY FROM TREASURY BOARD	COMMENTS BY AUDITOR GENERAL
Insurance:		
That Treasury Board establish clear and complete terms of reference covering responsibility for risk management, insurance management and how to deal with non adherence to the guidelines.	- Not addressed	- I recommend that Treasury Board deal with this matter.
Capital Project Management and Control:		
That Treasury Board ensure that its own staff adheres to the capital projects management system: strengthen the system by incorporating the recommendations of the consultant; ensure that the system is implemented at all levels and that a capital projects master plan is developed.	- The Department has made a very serious effort in ensuring that the procedures set out in the capital project management and control system has been followed in a consistent fashion. Several changes were made including a summary schedule on each project file indicating the various steps and authorizations; a new policy on bid and contract securities was approved on August 4, 1983; the department is in the process of finalizing a capital projects master plan.	- I am satisfied that with these efforts my recommendations have been implemented. I will follow this up in my next audit.

30. 1981/82 RECOMMENDATIONS TO TREASURY BOARD

RECOMMENDATIONS	REPLY FROM TREASURY BOARD	COMMENTS BY AUDITOR GENERAL
Pharmacy:		
That Treasury Board make a review of this in house operation.	- The Province considers this service to be an integral component in support of established government programs.	- I only recommended a sunset review and although the reply did not state that this had been done I feel that it is implied. The recommendation therefore has been dealt with.
P.E.I. Housing Corporation:		
That Treasury Board appropriate sufficient funds to write down the net book value of the asset to its realizeable value. That Treasury Board face the reality of the situation, recognize the inherent losses and make a sunset review of this project to determine its disposition.	- The Housing Corproation received a special warrant of $751,000 to adjust the investment in developed land at Hillsborough. Treasury Board is satisfied that the adjustment reflects a realistic selling price for the lots and is confident that as conditions improve the market for these lots will return.	- My audit indicates that the adjustment appears realistic. The sunset review apparently did **not** extend to the **undeveloped portion** of the Hillsborough Development. To that extend my recommendation still stands.
P.E.I. Liquor Control Commission:		
That Treasury Board proceed with a review of insurance for all Crown Corporations and that it define policies aimed at obtaining the kind of savings reported in that section.	- Treasury Board has reviewed the insurance practices of all Crown Corporations and has taken steps to include most Crown Corporations under its blanket policy.	- I will verify this in future audits. Apparently the Liquor Control Commission was not included, because my audit indicated that no changes had taken place in its insurance policy.

30. 1981/82 RECOMMENDATIONS TO TREASURY BOARD

RECOMMENDATIONS	REPLY FROM TREASURY BOARD	COMMENTS BY AUDITOR GENERAL
Claims under Cost Sharing Agreement:		
That Treasury Board promptly expedite the centralization of claims administration in the Department of Finance with provision of adequate staffing.	- The Department of Finance and Tourism has established and staffed a full time position at the Director level responsible for Federal/ Provincial claims. The office is exploring various other means of streamlining the claims system and ensuring a timely and efficient cash flow to the Province.	- I am satisfied that the recommendation was implemented.
That the Board direct that all Provincial representatives as part of their negotiations of federal/provincial cost sharing agreements make every effort to negotiate provisions for submitting advance claims for payment by bank transfer.		
Policy Manual:		
That a manual containing all Treasury Board policies be issued.	- Treasury Board is rethinking proposals for a manual, its distribution and the updating system. It feels that its current system, whereby policies are circulated to those who need to know is far better than a manual for general use that would be unreliable. It feels that the unreliability results from a breakdown of the system of updating due to staff turnover and changing staff responsibilities or for other reasons.	A manual is important for **accountability.** That breakdowns occur even with the current system and that Treasury Board has appeared to have lost control already is demonstrated by my inability to obtain a list of policies and procedures issued and still in force for audit purposes.

IMPLEMENTATION OF RECOMMENDATIONS (CONTINUED)

31. PUBLIC WORKS

31.1 A new Minister and Deputy Minister were appointed three months ago. Until that time and since the presentation of my audit report on the Public Works Branch, the Department had been under caretaker management. Also during 1983 audits of two other major sections of the Department were completed and the recommendations made as a result of those audits affected Public Works Branch as well. It is therefore unreasonable to expect that extensive efforts would have been made to implement my recommendations.

31.2 I therefore deemed it inappropriate at this stage to report on implementation of recommendations for the Public Works Branch. I have however satisfied myself that a serious attitude is being taken towards future implementation. In the meantime, however, some lesser recommendations, that could be considered in isolation, have been implemented.

32. CHARLOTTETOWN AREA DEVELOPMENT CORPORATION

32.1 Implementation of recommendations is either complete or in an advanced stage of completion.

32.2 A **long term plan** is in the final stages of preparation and will be presented to the shareholders for ratification after consultation with the Province.

32.3 An **evaluation of benefits** requires additional data; a survey is planned for the summer of this year and as soon as it has been completed, an assessment of the impact of the Waterfront Development on the downtown area will be made.

32.4 The Corporation advised me that it does not have **expropriation** power and their legal counsel has questioned its validity for development projects. The Corporation agrees that a written policy on land assembly be developed and formally adopted.

32.5 Negotiations concerning an **accounts receivable** of $600,000 have been finalized. Although a solicitor with the Department of Justice has been briefed on this matter, he has not yet reviewed the written agreement.

33. CASH MANAGEMENT

33.1 The main recommendation was to define a **framework for cash management** on a government wide basis and to assign responsibility to an appropriate agency of government. This recommendation has not been dealt with.

33.2 Some recommendations have been implemented but in regards to others, in my opinion, more could have been done.

33.3 The major problem seems to be that implementation of recommendations is dealt with too late, which led the Minister to state that he has asked his officials to review my report in detail with me. I will be pleased to do so, but I would like to point out that this should be done shortly after my report is published rather than shortly before the next one is due.

34. MISCELLANEOUS

CASH ASSISTANCE PLAN

34.1 Last year I reported on substantial delays in preparation in claims under the Canada Assistance Plan Agreement. During the year responsibility of preparation of the claims was transferred from the Department of Health and Social Services to the Department of Finance and Tourism. The newly appointed Director of Claims, advised me that claims have now been completed and submitted for fiscal 1978/79 and 1979/80. He further advised me that he anticipates that all claims under this agreement will be up to date by the end of the next fiscal year. Each claim represents a substantial amount of work and I am satisfied that reasonable progress has been made.

PHARMACY

34.2 Last year I recommended that the Computer Priorities Committee investigate the cause of the system failure in light of its originally defined objectives and that it redefine its policies and procedures to prevent this type of waste in the future.

34.3 In question was the inventory control system implemented in 1980 but not operated satisfactorily as at the end of March 31, 1983. The Computer Priorities Committee has set up a system for review of all existing computer systems to ensure that they are operating effectively, will be revised or discontinued.

34.4 I also recommended that the Pharmacist as the manager ensure that the system is made fully operative in order to eliminate the costly manual duplication. At the time of writing this report I was advised that the matter is currently being discussed with the Computer Services Division and that his original observation is that the system may have been over designed.

GOVERNMENT GARAGE INVENTORY

34.5 Last year I reported on the management of the Government Garage inventory. For the most part, my recommendations were implemented, however, one significant item remains outstanding. I reported that the low inventory turnover indicated a probable over-investment in inventory.

The department feels inventory is high because it contains substantial quantities of hard to get parts for old equipment. My review indicated that the parts referred to do not make up a significant proportion of total inventory and I am not convinced all items are being kept at minimum levels. In my comprehensive audit report on the Highways Branch I have recommended hiring an automotive consultant to review all aspects of the garage operations including inventory management.

CAPITAL PROJECT MANAGEMENT AND CONTROL

34.6 There are changes taking place in the Department's project management activities some of which are clearly in line with my recommendations. It is difficult to assess whether the present system as it is evolving will provide an appropriate level of control. Generally I am satisfied that the Department is giving adequate consideration to the underlying problems expressed in my report.

P.E.I. HOUSING CORPORATION

34.7 Recommendations have been implemented to my satisfaction and are reported on in more detail in Section 26 of this report.

GRAIN ELEVATORS

34.8 Recommendations from my last report are being appropriately dealt with.

SCHEDULES

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATIONS Act 1982/83	SPECIAL WARRANTS SUPPLEMENTARY APPROPRIATIONS ACT	SPECIAL WARRANTS INCREASES BY ORDER-IN-COUNCIL	TRANSFERS FROM 95-04-01-S	EXPENDITURES 1983	EXPENDITURES 1982	UNDER EXPENDITURES
AGRICULTURE AND FORESTRY (now called Agriculture)	17,484,700	339,142	-	23,900	13,623,319	14,562,502	4,224,423
LAND DEVELOPMENT CORPORATION	558,200	-	91,154	1,200	650,553	924,692	1
PEI GRAIN ELEVATOR CORP.	727,900	-	-	1,800	-	-	729,700
COMMUNITY AND CULTURAL AFFAIRS	10,201,300	342,700	-	146,200	10,627,943	13,032,733	62,257
LAND USE COMMISSION	100,000	-	-	-	92,808	87,134	7,192
RENTALSMAN	-	-	-	-	-	16,998	-
HOUSING CORPORATION	1,638,600	-	751,300	-	2,152,874	1,795,079	237,026
GENERAL EDUCATION	5,733,100	134,230	-	3,000	5,579,291	4,449,879	291,039
GRANTS - REGIONAL SCHOOL UNITS	68,734,200	-	-	285,000	68,152,656	60,349,639	866,544
POST SECONDARY EDUCATION	17,176,000	465,000	-	-	17,626,446	15,294,097	14,554
SCHOOL CONSTRUCTION	755,000	-	-	-	573,087	2,026, 913	181,913
VOCATIONAL PROGRAMMING	3,665,500	-	-	-	3,664,061	3,122,500	1,439
EXECUTIVE COUNCIL	849,400	258,040	-	2,800	1,101,600	851,451	8,640

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATIONS Act 1982/83	SPECIAL WARRANTS SUPPLEMENTARY APPROPRIATIONS ACT	SPECIAL WARRANTS INCREASES BY ORDER-IN-COUNCIL	TRANSFERS FROM 95-04-01-S	EXPENDITURES 1983	EXPENDITURES 1982	UNDER EXPENDITURES
POLICY AND PRIORITIES BOARD	351,300	100,000	-	1,300	277,454	387,924	175,146
FINANCE (now Finance & Tourism)	4,691,400	1,292,456	-	69,900	5,835,164	4,105,745	218,592
FISHERIES (now Fisheries & Industry)	1,432,700	1,893,605	-	14,600	2,568,599	2,491,651	772,306
HEALTH AND SOCIAL SERVICES	61,451,600	245,200	-	442,800	60,696,617	55,931,742	1,442,983
HOSPITAL SERVICES COMMISSION	50,104,200	3,827,100	-	3,400	53,934,700	41,718,584	-
HEALTH SERVICES COMMISSION	15,866,400	202,600	39,405	4,200	16,112,605	13,563,966	-
TOURISM, INDUSTRY & ENERGY (now Energy & Forestry)	7,957,400	1,113,214	-	20,700	6,133,681	4,753,288	2,957,633
MARKET DEVELOPMENT CENTRE	1,382,000	-	171,047	2,600	1,553,047	1,129,248	2,600
PEI LENDING AUTHORITY	845,400	5,100	-	3,100	776,336	906,106	77,264
INDUSTRIAL ENTERPRISES INC.	1,996,300	1,415,500	-	1,600	3,401,012	3,156,355	12,388
ENERGY CORPORATION	1,076,900	-	-	700	708,969	1,178,028	368,631
JUSTICE AND ATTORNEY GEN.	8,077,800	79,739	-	20,800	8,032,323	7,202,991	146,016

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATIONS Act 1982/83	SPECIAL WARRANTS SUPPLEMENTARY APPROPRIATIONS ACT	SPECIAL WARRANTS INCREASES BY ORDER-IN-COUNCIL	TRANSFERS FROM 95-04-01-S	EXPENDITURES 1983	EXPENDITURES 1982	UNDER EXPENDITURES
LABOUR	5,764,900	1,556,500	-	5,800	7,233,474	5,346,659	93,726
LEGISLATIVE ASSEMBLY	1,200,800	92,500	-	-	1,263,581	913,928	29,719
TRANSPORTATION AND PUBLIC WORKS	36,911,300	2,574,989	-	82,800	38,998,309	34,487,239	570,780
OTHER CURRENT EXPENDITURES							
AUDITOR GENERAL	681,700	-	-	-	629,509	562,320	52,191
CIVIL SERVICE COMMISSION	693,300	-	-	2,800	651,557	698,985	44,543
GENERAL GOV'T	4,808,800	1,182,100	221,116	(1,141,000)	5,071,015	4,800,665	1
TREASURY BOARD	400,500	-	-	-	357,125	428,070	43,375
GEORGETOWN SHIPYARD	-	-	171,093	-	171,093	-	-
COUNCIL OF MARITIME PREMIERS	653,200	69,738	-	-	722,938	640,000	-
DEBT CHARGES	52,906,900	-	-	-	50,983,147	43,844,501	1,923,753
	$386,878,700	$17,189,453	$1,445,115	-	$389,956,893	$344,761,612	$15,556,375

CAPITAL EXPENDITURES

APPROPRIATIONS

	PER THE APPROPRIATION ACT 1982/83	SPECIAL PER THE SUPPLEMENTARY APPROPRIATION ACT 1982/83	WARRENT INCREASES BY-ORDER IN-COUNCIL	EXPENDITURES 1983	EXPENDITURES 1982	UNDER EXPENDITURES
Transportation and Public Works	$32,664,000	$2,346,000	-	$31,364,746	$24,495,668	$3,645,254
	$32,664,000	$2,346,000		$31,364,746	$24,495,668	$3,645,254

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 1 of 11
	DEPARTMENT OF AGRICULTURE AND FORESTRY	
	OFFICE OF MANAGEMENT SERVICES: MARKETING	
441/82	Cost of conducting a Plebiscite on whether to join the proposed Eastern Canada Potato Marketing Agency	15,000
	OFFICE OF MANAGEMENT: STORM LOSS COMPENSATION	
707/82	Storm loss compensation for milk producers	3,900
	VETERINARY AND DAIRY BRANCH - VETERINARY SERVICES NON PLAN	
441/82	To compensate for Veterinary Services	33,033
	FORESTRY: HEDGEROW-SHELTERBELT PROJECT	
392/82	Salaries - costs involved in federally funded job creation project	17,600
	New Equipment - Per above	1,000
	Material and Supplies - Per above	13,200
	Travel - Per above	3,315
	FORESTRY: PROVINCIAL PARKS FOREST MANAGEMENT	
392/82	Salaries - costs involved in federally funded job creation project	51,392
	New Equipment - Per above	1,000
	Materials and Supplies - Per above	79,900
	Travel - Per above	18,630
	FORESTRY: FOREST ACCESS ROADS	
392/82	Salaries - costs involved in federally funded job creation project	3,494
	Materials and Supplies - Per above	29,250
	Travel - Per above	3,900
	FORESTRY: SIGHT LINE CLEARING	
392/82	Salaries - Costs involved in federallyfunded job creation project	3,616
	New Equipment - Per above	1,870
	Materials and Supplies - Per Above	6,500
	Travel - Per above	11,000
	FORESTRY: GREATER CHARLOTTETOWN ENVIRONMENTAL DISTRICT	
392/82	Salaries - Costs involved in federally funded job creation project	26,742
	New Equipment - Per above	2,000
	Materials and Supplies - Per above	5,800
	Travel - Per above	7,000
	TOTAL	**$339,142**

LIST OF INCREASES TO APPROPRIATIONS

L A N D D E V E L O P M E N T C O R P O R A T I O N

701/83	GENERAL: OTHER Debt charges and losses on sale of properties	91,154
	TOTAL	**$91,154**

D E P T. C O M M U N I T Y & C U L T U R A L A F F A I R S

168/83	COMMUNITY DEVELOPMENT: ADMINISTRATION Establishment of a cash fund to assist CADC in meeting dividend committments	250,000
560/82	BUILDING AND DEVELOPMENT SERVICES: DERELICT CARS AND DELAPIDATED BUILDINGS Funds to extend Derelict Car Program for the 1982/83 fiscal year	30,000
337/82	EMERGENCY MEASURES ORGANIZATION: JOINT EMERGENCY PLANNING PROGRAM Funds for a Joint Emergency Planning Program, cost shared with the federal government	62,700
	TOTAL	**$342,700**

P. E. I. H O U S I N G C O R P O R A T I O N

808/83	GENERAL: HILLSBOROUGH DEVELOPMENT To write-off anticipated losses in the sale of housing lots at Hillsborough Development	751,300
	TOTAL	**$751,300**

P O L I C Y A N D P R I O R I T I E S B O A R D

561/82	PLANNING AND RESEARCH FUND For the operating and signing of the Energy Consultant contract at an estimated cost	100,000
	TOTAL	**$100,000**

LIST OF INCREASES TO APPROPRIATIONS

DEPARTMENT OF EDUCATION

	EDUCATIONAL SERVICES: SPECIAL EDUCATION	
169/83	Halifax School for Blind - operating and capital	134,230
	TOTAL	**$134,230**
	POST SECONDARY: MPHEC AND STUDENT AID	
133/83	Additional funds for Bursary Program	90,000
60/83	Additional funds for Bursary Program	375,000
	TOTAL	**$465,000**

EXECUTIVE COUNCIL

	ADMINISTRATION	
352/82	Increase in Minister salaries and Policy and Priorities Board Members salaries	26,000
	COMMISSION OF INQUIRY INTO COST OF ELECTRIC POWER	
375/82	Electric Power Inquiry	145,400
	PREMIERS OFFICE: SUMMERSIDE	
353/82	To equip and staff Premier's Summerside Office	71,640
	CABINET COMMITTEE ON EMPLOYMENT DEVELOPMENT	
634/82	Estimate to commence committee activities	15,000
	TOTAL	**$258,040**

DEPARTMENT OF FINANCE AND TOURISM

	REVENUE DIVISION: ADMINISTRATION	
223/83	To write off Sales Tax Receivable	310,265
	TOURISM: TRAVEL SALES	
14/83	Cost of Midi Lane Brochure, campshows, promotional blitz, attendance art trade shows	76,000
	TOURISM: INDUSTRY DEVELOPMENT	
14/83	Cost of new Tourism Highway Map, Co-Op Brochure development with private operators, Sounds of Summer Program	67,000

792/82	REORGANIZATION Additional Appropriation required to facilitate reorganization, fall of 1982	839,191
	TOTAL	**$1,292,456**

DEPARTMENT OF FISHERIES

338/82	PROCESSING AND QUALITY: SEAWEED MARKET STABILIZATION Cost to assist in stabilizing moss harvesting in P.E.I.	500,000

DEPARTMENT OF FISHERIES & INDUSTRY

893/82	ADMINISTRATION: FINANCIAL ASSISTANCE Cost to satisfy loan guarantee of Island Boatbuilders by Province	62,500
793/82	REORGANIZATION Additional Appropriation required to facilitate reorganization, Fall of 1982	1,331,105
	TOTAL	**$1,893,605**

DEPARTMENT OF HEALTH & SOCIAL SERVICES

407/82	SPECIAL SERVICES: SHELTERED WORKSHOPS Youth Employment Program cost shared with federal government	15,000
788/82	JOB CREATION: PROVINCIAL GOVERNMENT PROJECTS Funds for job creation and placement project	24,800
	JOB CREATION: DEPARTMENTAL PROJECTS Funds for job creation and placement project	24,800
	JOB CREATION: COMMUNITY DEVELOPMENT Funds for job creation and placement project	115,400
354/82	FIELD SERVICES: EMPLOYMENT PREPARATION PROGRAM Employment Preparation Program	25,000
407/82	FIELD SERVICES: CHARLOTTETOWN REGIONAL OFFICE Youth Employment Program	8,400
	FIELD SERVICES: O'LEARY REGIONAL OFFICE Youth Employment Program	6,300

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 5 of 11
	FIELD SERVICES: SOURIS REGIONAL OFFICE	
407/82	Youth Employment Program	6,300
	FIELD SERVICES: DIVISION MANAGEMENT	
	Youth Employment Program	4,500
	FIELD SERVICES: MONTAGUE REGIONAL OFFICE	
	Youth Employment program	6,300
	FIELD SERVICES: SUMMERSIDE REGIONAL OFFICE	
	Youth Employment Program	8,400
	TOTAL	$245,200
	H O S P I T A L S E R V I C E S C O M M I S S I O N	
	ADMINISTRATION	
134/83	To cover unanticipated increase in salaries and benefits for Hospitals and PEI School of Nursing	820,000
187/83	ADDITIONAL COSTS	3,007,100
	TOTAL	$3,827,100
	H E A L T H S E R V I C E S C O M M I S S I O N	
	ADMINISTRATION	
188/83	Additional costs	202,600
684/83	ADDITIONAL COSTS	39,405
	TOTAL	$242,005
	D E P A R T M E N T O F E N E R G Y A N D F O R E S T R Y	
	FORESTRY: EASTERN DISTRICT OPERATIONS	
61/83	Salary increases; salary rate and length of employment both increased	37,200
	FORESTRY: OPERATIONS	
	Salary increases; salary rate and length of employment both increased	32,400
	FORESTRY: WESTERN DISTRICT OPERATIONS	
	Salary increases; salary rate and length of employment both increased	5,500

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 6 of 11
67/83	FORESTRY: CENTRAL DISTRICT OPERATIONS Salary increases; salary rate and length of employment both increased	15,900
	FORESTRY: BUNBURY NURSERY Salary increases; salary rate and length of employment both increased	8,000
	FORESTRY: TREE FARM Salary increases; salary rate and length of employment both increased	26,100
791/82	REORGANIZATION Additional Appropriation to facilitate reorganization, Fall of 1982	988,114
	TOTAL	$1,113,214

MARKET DEVELOPMENT CENTRE

633/83	GENERAL Grant to MDC of their 1981/82 Surplus	171,047
	TOTAL	$171,047

P. E. I. LENDING AUTHORITY

62/83	GENERAL Cost of constructing three sound-proof interview cubicles	5,100
	TOTAL	$5,100

INDUSTRIAL ENTERPRISES INCORPORATED

540/82	GENERAL: INDUSTRIAL TRAINING EQUIPMENT Funds sequestered from appropriations of Tourism, Industry and Energy	200,000
	GENERAL: VENTURE CAPITAL Funds sequestered from appropriations of Tourism, Industry and Energy	215,000
	GENERAL: POWER CONVERSION Funds sequestered from appropriations of Tourism, Industry and Energy	20,000

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 7 of 11
540/82	GENERAL: INDUSTRIAL ENTERPRISES INCORPORATED Funds sequestered from appropriations of Tourism, Industry and Energy	750,500
	GENERAL: INDUSTRIAL FACILITIES Funds sequestered from appropriations of Tourism, Industry and Energy	130,000
	GENERAL: INDUSTRIAL SERVICES Funds sequestered from appropriations of Tourism, Industry and Energy	100,000
	TOTAL	**$1,415,500**
DEPT. OF JUSTICE AND ATTORNEY GENERAL		
	ADMINISTRATION: GENERAL	
894/82	Lab tests required by Coroners and RCMP for Autopsies	30,000
	PROBATION AND FAMILY COURT SERIVES - CRIMINAL JUSTICE RESOURCE SERVICES	
450/82	Funds required for Criminal Justice Resource Services as per federal provincial agreement	24,375
	PROBATION AND FAMILY COURT SERVICES: FEDERAL/ PROVINCIAL SENTENCING PROJECT	
135/82	Salaries	17,980
	HUMAN RIGHTS COMMISSION	
894/82	Craig case inquiry costs and travel	5,588
170/83	Craig case inquiry costs and travel	1,796
	TOTAL	**$79,739**
DEPARTMENT OF LABOUR		
	ADMINISTRATION	
503/82	Funds for summer students employed under the Provincial Youth Development Program	105,000
	ADMINISTRATION: OCCUPATIONAL HEALTH AND SAFETY COUNCIL	
539/82	Occupational Health and Safety Council operations costs for July 1/82 - March 31/83 period.	50,000
	MANPOWER RESOURCES: Administration	
486/82	Wage subsidy program	401,500

486/82	MANPOWER RESOURCES: INSTITUTIONAL TRAINING SERVICES Skills Growth Fund sponsored by Canada Employment and Immigration Commission	1,000,000
	TOTAL	**$1,556,500**

L E G I S L A T I V E A S S E M B L Y

	ELECTIONS	
136/83	Costs pertaining to general election of Sept/82	92,500
	TOTAL	**$92,500**

D E P T. O F T R A N S P O R T A T I O N & P U B L I C W O R K S

	GENERAL ADMINISTRATION	
38/83	Additional phone costs	26,400
	HIGHWAYS MAINTENANCE BRANCH: ADMINISTRATION	
38/83	Additional Phone and car costs	61,600
	HIGHWAYS MAINTENANCE BRANCH: PAVEMENT MAINTENANCE - PRINCE	
38/83	Contract services and wages - additional costs	105,300
	HIGHWAYS MAINTENANCE BRANCH: PAVEMENT MAINTENANCE - QUEENS	
38/83	Contract services - additional costs	22,700
	HIGHWAYS MAINTENANCE BRANCH: MAINTENANCE OF ROADS - QUEENS	
38/83	Salaries, wages, materials and supplies - additional costs	65,300
	HIGHWAYS MAINTENANCE BRANCH: MAINTENANCE OF ROADS - PRINCE	
38/83	Professional services - additional costs	73,300
	HIGHWAYS MAINTENANCE BRANCH: MAINTENANCE OF ROADS - KINGS	
38/83	Professional services, salaries, wages, materials and supplies - additional costs	170,400
	HIGHWAY MAINTENANCE BRANCH: SNOW/ICE REMOVAL	
137/83	Contract services	1,199,000

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 9 of 11
	MECHANICAL BRANCH: GARAGE - DIRECT	
137/83	Additional parts, repair, and maintenance of government trucks and machinery costs	400,000
	SERVICE BRANCH: PROPERTIES AND ACCOMMODATIONS - GREEN BUILDING	
408/82 708/82	Additional rent	2,300
	SERVICES BRANCH: PROPERTIES - WHITE STAR LAUNDRY LTD. BUILDING	
408/82	Additional rent, material and professional services costs	12,700
	SERVICE BRANCH: PROPERTIES AND ACCOMMODATIONS - ADMINISTRATION	
408/82	Additional insurance costs	50,000
	SERVICES BRANCH: PROPERTIES AND ACCOMMODATIONS - CARVELL BUILDING	
408/82 708/82	Additional rent	8,675
	SERVICES BRANCH: PROPERTIES AND ACCOMMODATIONS - O'LEARY COMMUNITY HOSPITAL	
408/82	Additional rent	2,400
	PLANNING BRANCH: TRANSPORTATION	
63/82,708/82 189/83, 895/82	Grants for federally supported Urban Transportation Assistance Program	251,914
895/82	Transportation contract services	21,700
	HIGHWAY SAFETY BRANCH: ADMINISTRATION	
190/83	Salary overexpenditure due to budget plans not complete	31,500
	HIGHWAY SAFETY BRANCH: MOTOR VEHICLE INSPECTION	
190/83	Salary overexpenditure	400
	HIGHWAY SAFETY BRANCH: DRIVER IMPROVEMENT	
190/83	Salary overexpenditure	1,200
	HIGHWAY SAFETY BRANCH: PROMOTION OF HIGHWAY SAFETY	
190/83	Salary overexpenditure	33,500
	HIGHWAY SAFETY BRANCH: REGISTRATION AND LICENSING	
190/83	Salary overexpenditure	29,500
	HIGHWAY SAFETY BRANCH: SUMMERSIDE OFFICE	
190/83	Salary overexpenditure	4,600

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 10 of 11
	HIGHWAY SAFETY BRANCH: ALBERTON OFFICE	
190/83	Salary expenditure	600
	TOTAL	$2,574,989
OTHER	**CURRENT EXPENDITURES**	
	GENERAL GOVERNMENT: GRANTS	
548/82	Grant, PEI Voluntary Resource Council	10,000
	GENERAL GOVERNMENT: EMPLOYEE BENEFITS	
841/82	Additional required for final adjustment for collective bargaining	1,170,100
	GENERAL GOVERNMENT: GRANTS	
15/83	New England Governors and Eastern Canadian Premiers Conference '83	2,000
	GENERAL GOVERNMENT: EMPLOYEE BENEFITS	
685/83	Adjustment to cover increased costs for employer's share of Workers Compensation and Civil Service Superannuation	221,116
	TOTAL	$1,403,216
	COUNCIL OF MARITIME PREMIERS	
172/83	Write-off of principle balance of two loans to Maritime Resource Management Services	69,738
	TOTAL	$69,738
	GEORGETOWN SHIPYARDS	
587/83	Additional Appropriations to cover the net deficit of Georgetown Shipyard Inc. at year ended March 31/83.	167,665
65/84	As above	3,428
	TOTAL	$171,093
DEPT.	**OF TRANSPORTATION & PUBLIC WORKS**	
	CAPITAL: PROVINCIAL PAVING	
709/83	Additional funds for upgrading on unpaved roads	365,000
39/83	Additional costs	743,000
	CAPITAL: HIGHWAY RECONSTRUCTION	
39/83	Additional costs	505,000

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 11 of 11
	CAPITAL: PLAN PAVING	
39/83	Additional costs	600,000
	CAPITAL: SUMMERSIDE GARAGE ADDITION	
709/82	Funds to cover expansion to garage not originally planned	133,000
	TOTAL	**$2,346,000**

LIST OF SOME ESTIMATES NOT FULLY SPENT - BY DIVISION

	ESTIMATES	TRANSFERS	ADDITIONAL APPROPRIATIONS	NOT SPENT (OVER $50,000)
Department of Agriculture	$ 2,281,700	$ 125,838	$ 18,900	$ 278,126
Management Services	7,566,000	(34,425)		2,918,992
Extension Services	3,140,400	(12,277)	287,205	988,114
Forestry Division (Sequistration)				
Department of Community Affairs				
Environmental and Technical Services	1,150,700	76,238		53,402
P.E.I. Housing Corporation	1,638,600		751,300	237,026
Policy and Priorities Board				65,502
Administration	277,100	1,300		109,644
Planning and Research Fund	74,200		100,000	
Department of Education				184,789
Financial Services	1,291,700	2,381		59,213
Educational Services	2,206,300	11,625	134,230	866,544
School Units - Foundation Program	68,734,200	285,000		181,913
School Construction	755,000			
Department of Finance and Tourism				
Tourism Branch		45,024	950,549	53,268
Department of Fisheries and Industry				
Production	653,800	157,809	150,078	150,078
Industry		(282,208)	1,280,697	588,941
Department of Health and Social Services				
Hillsborough Hospital	5,133,800	362,500		117,751
Field Services	29,659,300	(864,100)	65,200	735,828
Aging	2,509,200	(112,347)		78,882
Sequistration		59,700		59,700

LIST OF SOME ESTIMATES NOT FULLY SPENT - BY DIVISION

	ESTIMATES	TRANSFERS	ADDITIONAL APPROPRIATIONS	NOT SPENT (OVER $50,000)
Department of Energy and Forestry				
Energy and Mineral Branch	$ 621,900	$ 857,516		$ 143,038
Forestry		147,681	$1,113,214	117,382
Tourism and Industry (Sequistration)	6,851,500	(995,249)		2,668,880
P.E.I. Lending Authority				
General	845,400	3,100	5,100	77,264
P.E.I. Energy Corporation				
General	1,076,900	700		368,631
Department of Justice and Attorney General				
Corrections	2,119,900	(87,256)		57,127
Department of Labour				
Manpower Resources	5,212,200	(144,250)	1,401,500	58,777
Department of Transportation and Public Works				
Mechanical Branch	6,199,800	116,050	400,000	248,732
Buildings Branch - Maintenance Direct	6,701,100	(341,825)		139,296
Services Branch - Properties and Accommodations	2,312,300	76,530	76,075	68,302
Other Current Expenditures				
Auditor General	681,700			52,191
Debt Charges				
Interest	46,084,900	(58,581)		1,853,553
Sinking Fund Provision	6,546,600			70,199

SCHEDULE "E"

PRINCE EDWARD ISLAND CROP INSURANCE AGENCY

COMPARATIVE SCHEDULE OF PREMIUMS, INDEMNITIES AND SURPLUS (DEFICIT) BY COMMODITY

AS AT MARCH 31, 1983

	PREMIUMS		INDEMNITIES		SURPLUS (DEFICIT)	
	CURRENT YEAR	1975 TO DATE	CURRENT YEAR	1975 TO DATE	CURRENT YEAR	1975 TO DATE
POTATOS	$1,430,563	$ 9,459,743	$2,612,149	$ 9,979,553	$(1,181,586)	$(519,810)
TOBACCO	319,181	1,610,182	1,080	902,711	318,101	707,471
GRAIN	170,546	1,426,374	83,012	1,192,560	87,534	233,814
COLE CROPS	23,116	57,342	112,995	240,227	(89,879)	(182,885)
RUTABAGAS	5,318	135,108	7,197	145,502	(1,879)	(10,394)
PROCESSING PEAS	5,285	162,019	0	91,553	5,285	70,466
CORN	2,541	44,494	2,541	47,619	0	(3,125)
OTHER	4,171	119,422	2,387	144,990	1,784	(25,568)
	$1,960,721	$13,014,684	$2,821,361	$12,744,715	(860,640)	269,969
			Non-operating Surplus (Deficit)		184,586	192,909
			Gross Surplus (Deficit)		$ (676,054)	$ 462,878

NOTE: In 1975 the accummulated deficit of the Crop Insurance Agency was cleared with an appropriation. Appropriations in 1979 and 1980 of $1,148,321 and $900,000 respectively for purposes of this schedule were allocated to the individual crop deficits on a prorated basis.

POOR

QUALITY

ORIGINAL